

Australia	542.2	Indonesia	820.0	Peru	520.0
Bahamas	260.0	Israel	150.0	Spain	260.0
Bahrain	270.0	Japan	140.0	Sweden	320.0
Canada	530.0	Jordan	150.0	Switzerland	320.0
Ceylon	520.0	Lebanon	150.0	Taiwan	170.0
Dominica	260.0	Luxembourg	150.0	Turkey	120.0
Egypt	520.0	Malaysia	150.0	USA	510.0
Finland	520.0	Mexico	150.0		
France	520.0	Netherlands	150.0		
Germany	520.0	Norway	150.0		
Greece	520.0	Portugal	150.0		
Hong Kong	520.0	South Korea	150.0		
India	520.0	Thailand	150.0		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,384

Monday November 9 1987

D 8523 A

Tunisia: The man who takes the place of Bourguiba, Page 22

Militants capture Europeans off Israel

A yacht carrying eight Europeans, including two children, is reported to have been seized in the Eastern Mediterranean after its crew clashed with a seaborne unit of the radical Abu Nidal guerrilla organisation near Gaza. It was an apparent attempt by the guerrilla group to embarrass the Arab League summit conference which opened in Amman yesterday. Page 4

Assad at Arab summit

An emergency Arab summit, which has begun in Amman, is likely to be dominated by President Hafez al-Assad of Syria, whose support of Iran in the Gulf war has deeply angered regional neighbours. Page 4

Iran fires missile

Iran says it has fired two surface-to-surface missiles at Baghdad in retaliation for stepped-up attacks by Iraq aimed at impressing the Arab League summit.

Egypt impounds ship

Egypt has impounded a Dutch cargo ship and is seeking \$97m compensation for oil pollution to the Sinal coastline.

Lebanon strike

Mr Antoine Bishara, General Confederation of Labour Unions president in Lebanon, has pledged that a four-day-old strike in protest over an economic crisis 'will continue indefinitely' until measures are taken to halt the deterioration.

Dublin fights EC plan

Dublin is fighting to delay a European Commission proposal to impose VAT on Irish greyhounds and thoroughbred racehorses. Page 2

Bonn uncovers racket

Bonn has uncovered a steel smuggling racket involving the sale by European steel traders of more than 100,000 tonnes of East German steel in Western Europe, the US and Turkey in 1986 and 1987. Page 6

Under Eastern eyes

A group of Warsaw Pact officers has arrived in Scotland to attend British military manoeuvres, the first to do so under an East-West security agreement.

Chirac promise

Prime Minister Jacques Chirac has promised French Jews he will never ally himself or his party with the extreme right - a clear reference to the policies of the ultra-right National Front of Mr Jean-Marie Le Pen.

Sri Lanka security

Navy and air force personnel are guarding key installations in Colombo as Sri Lankan troops fan out through the city after a 'maximum security' alert. Page 2

South Koreans cheer

Thousands of South Koreans cheered as presidential candidate Mr Kim Dae-Jung denounced President Chun Doo-Hwan's Government and called for formation of an interim government.

Argentina inflation

Argentina's inflation figures leapt to their highest level in two-and-a-half years last month, partially as a result of the Government's new foreign exchange measures designed to reduce fiscal deficit. Page 3

South Africa fighting

The vicious in-fighting between rival warlords for political control over black townships in areas of Natal has claimed five more victims, despite a top-level peace meeting. Page 3

Kenya tough stand

President Daniel Arap Moi has ordered Kenyans to surrender all foreign currency being held illegally by November 13. Police recently arrested several people who failed to remit the proceeds of their coffee exports.

Malawi plane missing

Three British businessmen are among 10 people missing aboard a Malawian charter plane which has reportedly been shot down over Mozambique. Page 5

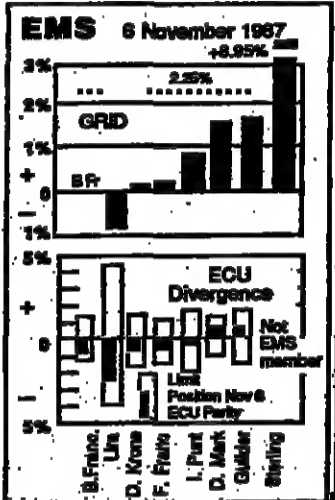
World Bank to give India drought aid of \$500m

THE WORLD BANK plans to increase its aid to India by \$400m-500m this year to help the country overcome the effects of a drought which is expected to add about \$1bn to the annual balance of payments deficit and almost half economic growth. Page 2

EUROPEAN Monetary System: The dollar's fall to record lows created further strains within the EMS last week. Co-ordinated action by French and West German central banks resulted in a half-point cut in the Bundesbank's Lombard rates and a three-quarter-point rise in the French central bank's money market intervention rate.

However, much of the benefit was offset by a further decline in US interest rates and the French franc was still trading close to its floor level against the D-Mark. The franc was also very weak against its Ecu central rate, although it finished the week above its worst level.

Officials remained convinced that measures to support the EMS and avert a realignment would prove successful only in the short term unless there was real progress made in trying to reduce the US budget deficit.



The chart shows the two currencies on European Monetary System exchange rates. The upper line, based on the weakest currency in the system, defines the cross-rate from which no currency (except the franc) may move more than 2 1/4 per cent. The lower chart shows the percentage divergence from the 'central rate' against the European Currency Unit (ECU), itself derived from a basket of European currencies.

TOKYO: Nikkei market average closed 158.7 down at 22,697.01, after a 1-1/2 point rise in a quiet Saturday half-day session. World stock markets, Page 43

PORTUGAL has forecast 3.75 per cent growth in gross domestic product for 1988, following 5 per cent this year. Page 6

WEST GERMAN capital investment is likely to grow by only 1 per cent in real terms next year, says the Munich-based IFO economic research institute. Page 6

GOTABANKEN, Sweden's fourth largest quoted commercial bank, said profits would be halved this year following recent options-trading losses. Page 23

GRUPO Industrial Alfa, Mexico's biggest holding company, has ceded 45 per cent of its stock to international banks in exchange for writing off nearly \$1bn of the group's \$2.2bn foreign borrowing, the largest private foreign debt in Latin America. Page 24

THORN EMI is to sell its holding in the project JET, a joint venture with JVC of Japan and Thomson of France to produce video cassettes. Page 12

CITICORP has offered to buy the near-bankrupt Financial Corporation of America for which Ford Motor subsidiary First Nationwide Bank has made an undisclosed bid. Page 26

ESTABLISHMENT of a company to take over the Third World debt exposure of offshore banks based in Bahrain is under active consideration. Page 28

BURLINGTON Industries, US textiles group taken private last summer by a group of investors led by Morgan Stanley, the Wall Street investment bank, has announced its first asset disposal. Page 26

Bomb kills 11 civilians at Northern Ireland ceremony

BY OUR BELFAST CORRESPONDENT AND LISA WOOD IN LONDON

ELEVEN PEOPLE were killed and 55 injured when a 30lb terrorist bomb exploded minutes before a Remembrance Day service in Northern Ireland yesterday.

The blast ripped through the Fermanagh town, Enniskillen, as hundreds of men, women and children were gathered for the annual wreath-laying ceremony, which commemorates the dead in world wars and other conflicts.

Four married couples, a retired policeman and a young nurse were among the six men and five women confirmed dead in one of Ulster's worst terrorist atrocities.

The local army centre was used as a temporary morgue, as doctors and nurses of the nearby Ernie hospital worked flat out to treat casualties, whose ages ranged from 10 to 74.

There were scenes of chaos as the blast collapsed a gable wall of a building, burying dozens of civilians who had gathered to watch the parade.

People who escaped injury began digging through the rubble with their bare hands in a bid to free the trapped. School children wandered around aimlessly screaming for their parents, as the emergency services rushed to the scene.

Dr Robin Eames, the Church of Ireland Minister, who had been scheduled to preach in the nearby St MacCarthans Cathedral, instead went immediately to the hospital. Dr Eames said he would never forget what he saw.

He said that the culprits had deliberately placed the bomb where it would cause maximum carnage.

"The miracle is that there was not a wholesale massacre in Enniskillen. I ask society to ask itself how can you excuse that?" he said.

Mrs Margaret Thatcher, the British Prime Minister, said: "It is the most cruel, callous action we have heard of for a long time, taking advantage of everything that is decent in human nature."

Referring to the Irish Republican Army, she said: "I hope that everyone in the world who ever had any sympathy, however misplaced, for these people, will offer none now."

Some 2,600 people have been killed since 1969 in Northern Ireland's latest cycle of sectarian violence embroiling the IRA, Protestant extremists, the Royal Ulster Constabulary and the British Army.

At the weekend, the company appeared determined to continue its 'civil disobedience' strategy, despite punitive measures by Brasilia aimed at forcing the motor manufacturers to withdraw price increases on their cars, unilaterally imposed last week.

The clash between Autolatina and the government of President Jose Sarney has caused a sensation in business circles. It began last week when, after months of disputes with the authorities, the company ignored an authority 16.5 per cent price increase and lifted prices by an average 25 per cent.

Advertisements taken by the company claimed that the action was justified and legal as the government had failed to honour guarantees on profitability made by the Finance Ministry in a negotiated accord in April.

Mr Luis Carlos Bresser Pereira, the Finance Minister, denied the deal was legally binding and threatened three measures if the company did not conform to the prices laid down by the Interministerial Prices Council (CIP).

Despite the warning, Autolatina continued to enforce its new charges, provoking retaliatory action late on Friday.

Using seldom-invoked national security legislation, the government has:

● Suspended all routine credit, foreign exchange and import-export licences supplied to the company by the Central Bank and the official trade agency, Cacec.

● Threatened further sanctions under laws that included the right to sequester property and carry criminal sentences of up to two years.

● Ordered price watchdogs and tax officials to launch investigations into the company's accounts.

The dispute comes after years of conflict between foreign car manufacturers and the Brazilian Government. Neither Ford nor VW have made profits in the Brazilian market since 1980, and the companies claim that taxes of over 50 per cent on their products ensure that losses are incurred on every car sold.

The companies united under the new name, Autolatina, a year ago in a move that analysts claimed, was dictated as much by common political interest as industrial logic.

Last month, despite high consumer demand, Autolatina stopped production and laid off a large proportion of its 55,000-strong workforce in protest at fixed prices.

The seriousness of its current action suggests that local directors have received approval from the highest level of their parent companies in the US and West Germany.

A legal ruling on Autolatina's court action against the government, which demands compliance with the April accord, is not expected for 10 days.

Signs grow of accord on measures to cut US deficit by \$23bn

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

MR JIM WRIGHT, the Democratic Speaker of the House of Representatives, insisted yesterday that Washington can and will pass a budget deficit reduction package of at least \$23bn within the next two weeks.

Mr Wright's remarks came amid signs that the third week of negotiations between the White House and Congress aimed at cutting the budget deficit could be more fruitful than the first two weeks of talks which had made little progress.

Ironically, the fiasco surrounding the Supreme Court nomination of Judge Douglas Ginsburg could make a budget compromise more likely. He was the right-wing candidate nominated by President Ronald Reagan after the Senate rejected the President's earlier nomination of Judge Robert Bork.

The collapse of his nomination is a setback for the conservatives and may weaken their influence on the budget issue. They have been pressing the President not to concede a tax increase as part of a budget compromise.

There were also some signs over the weekend that White House moderates may be pressing harder for a budget deal. The New York Times reported yesterday that Mr James Baker, the Treasury Secretary, had

however widely shared. Although the pace of negotiation in the deficit talks is slowing, signs of quickening as the apparent deadline of November 20 approaches - the date when, under the Gramm-Rudman budget process, 50th of automatic spending cuts would be triggered - politicians on both sides of the aisle are predicting that it is unlikely a final agreement will be achieved before the deadline is reached.

Anatole Kaletsky writes from New York: For traders and investors on Wall Street, the possibility of a budget settlement will be achieved before the deadline is reached.

Equity traders went home in poor spirits on Friday, after another attempted rally petered out and the Dow Jones Industrial Average again failed to break through the psychological barrier of 2,000 mark, ending the week at 1,959.55.

The further weakening of the dollar in the foreign exchanges on Friday night and Saturday morning's news of a fall in the Japanese stock prices during the Tokyo market's half-day weekend trading has not helped investor's morale over the weekend.

Lawson promises to maintain growth of British economy

BY PETER BODDILL, POLITICAL EDITOR

THE UK Government was prepared to take action, including cutting interest rates, to ensure that the British economy continued to grow and was as little affected as possible by any US and international downturn, Mr Nigel Lawson, the Chancellor of the Exchequer, said yesterday.

This message of reassurance was repeatedly offered yesterday by Mr Lawson during an interview on independent television.

It reflects a shift of emphasis in the Government's presentation after concern among some ministers at the end of last week that the Government was making British policy too dependent on the uncertainties of agreement between the Reagan administration and Congress on a package reducing the US budget deficit.

Mr Lawson yesterday reiterated his hope, and belief, that a two-year package of tax increases and spending cuts would soon be agreed and followed by wider international action.

He thought all countries were concerned to have a degree of stability in exchange rates. "In the light of recent events it is all the more important that America commits herself fully to that in deeds as well as words," he said.

But he emphasised that, whatever happened in the US, he was already making plans to ensure that the British economy was defended. Arguing that the British economy started from an exceptionally strong position, the Chancellor said he

was prepared "to react quickly if necessary to keep the British economy going ahead as well as it is." He was ready to cut interest rates again if necessary.

He did not believe that there would be a world recession, which "can, must and will be averted." He would ensure that the British economy went on growing so that the UK was not involved in a slump.

"I will take whatever measures are necessary to ensure that the British economy is secure and affected as little as possible by difficulties outside," he said.

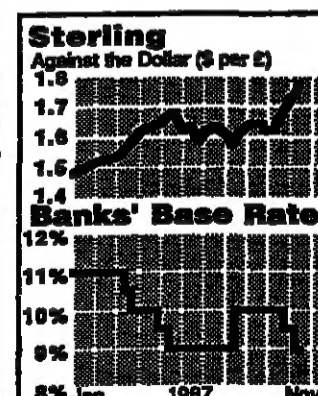
Mr Lawson presented an optimistic view of the economy which had weathered the storms of a year-long coal strike and the collapse of the oil price. He said: "British industry has

never in my lifetime been more efficient and competitive." He deliberately hedged about the appropriate level of public sector borrowing next year.

But he emphasised that the yardstick would be that the British economy would be sound to go ahead. It was highly unlikely that this would involve any increase in taxation because public finances were so sound.

Mr Lawson also defended what he described as his "Frank" warning last week to the US about its budget deficit. Since 1979, the Government had practised and not just preached by concentrating on cutting a high inherited level of public borrowing and being prepared to put up taxes in 1981.

Background, Page 11



Nigel Lawson: ready for action

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OVERSEAS NEWS

Troops out in Colombo amid security alert

BY MERVYN DE SILVA IN COLOMBO AND JOHN ELLIOTT IN NEW DELHI

NAVY and air force personnel guarded key installations in Colombo yesterday as Sri Lankan troops fanned out in the city and its suburbs following a 'maximum security' alert.

The alert was called by Lt-Gen. Cyril Ranasinghe some hours after President Junius Jayewardene returned to the island.

Mr Jayewardene, who attended the South Asian summit in Kathmandu, spent three days in New Delhi, on an unscheduled visit, to discuss with Mr Rajiv Gandhi, India's Prime Minister, 'residual problems' arising from the peace accord they signed in late July. These included proposed legislation which will go before the Sri Lankan parliament this week.

The tight security measures, which will be relaxed only at the end of the week, followed intelligence reports that the extremist JVP, a proscribed party, was planning terrorist attacks in Colombo.

Since the July agreement, a Sri Lankan government MP has

INDIAN troops trying to disarm Tamil guerrillas in Sri Lanka killed 11 rebels in the northern Jaffna peninsula, newspapers said yesterday, Reuters reports from Colombo.

The Weekend newspaper said the Liberation Tigers started the battle by firing at Indian soldiers guarding a harbour at Kankesanthurai. More than 20,000 Indian troops have been posted to Sri Lanka to disarm the Tigers and other groups opposed to the July 29 peace accord aimed at ending four years of violence between minority Tamils and majority Sinhalese.

been killed and many prominent members of the ruling UNP assassinated. Some 60 mid-level UNP activists have been murdered.

On August 18, President Jayewardene narrowly escaped death in a grenade attack in parliament, which seriously wounded many MPs, including three ministers.

Last week, all government MPs who have been threatened received a 'final warning' printed in red. Mr Jayewardene has now allowed each UNP MP to have armed guards as personal security staff.

President Jayewardene left New Delhi on Saturday evening, having failed to satisfy Mr Gandhi and Indian officials that constitutional changes which will be brought before Parliament this week fully reflect all the devolutionary proposals contained in the July 29 agreement between the two countries.

The constitutional amendment and the provincial council bill will be the first legislative steps to implement the accord.

Mr Jayewardene's talks with Mr Gandhi were extended for a third day because of problems over the bill. Experts argue that it reduces the proposed independence of new provincial administrations from the central government, and also does not satisfactorily protect Tamil ar-

ests from 'colonisation' by the majority Sinhalese.

But Mr Jayewardene refused to agree to amend the legislation, and only said there would be more discussions 'after parliament had passed the bills'.

'Some points on the devolutionary package have been resolved. On others, they have assured us that they will look into them,' said Mr Gandhi.

Mr Jayewardene is also under pressure over the bills at home, where anti-UNP anger over accumulated grievances is boiling up. The Opposition has seized on the 'peace accord' as an ideal rallying point, and sought to challenge the bill's constitutionality.

On Friday, the supreme court gave its ruling on the issue, the full contents of which will not be known until Tuesday. But at least one Sunday newspaper reported that the judges were divided five to four in favour of the bill.

The proposed legislation needs a two-third majority in Parliament. With an over-



Jayewardene under pressure

whelming 140 votes in a house of 168, the UNP has no worries on that count. But the government's parliamentary strength is deceptive, and its position vulnerable to mounting electoral pressures.

Dublin to fight VAT on horses and hounds

By William Dawkins in Brussels

THE Dublin Government is fighting tooth and nail to delay a European Commission proposal to impose VAT on Irish greyhounds and thoroughbred racehorses.

The threat comes in the form of a Commission plan to scrap many of the VAT exemptions European Community member-states are allowed to set for goods and services from football match tickets to travel agents' fees.

If Dublin loses the fight, it would be a severe blow to the thousands of citizens who breed greyhounds in the hope of one day producing a winner. Brussels wants to scrap a wide range of these special exemptions as soon as possible, in line with its campaign to achieve a barrier-free internal market for EC citizens and their animals by 1992.

The tax position of Irish greyhounds and thoroughbreds has been a controversial point at meetings between national officials of the 12 member-states over the past few days. They have been struggling to agree a list of previously exempt items, including British cultural and sports services, to come into the VAT net, in time to be sanctioned by the next meeting of EC Finance Ministers on November 16.

The Irish argue that the imposition of VAT on racing horses by the January 1 1989 deadline set by the Commission could create domestic political problems, but that Dublin might be able to introduce the tax two years later, in January 1991. 'We accept the fact that we must end these special exemptions, but we are talking about something that is very close to people's hearts and enters all classes,' said one Irish official.

His counterparts in Britain, where greyhounds attract VAT, are less sympathetic. They want a quick end to what they see as an unfair advantage for Irish bloodstock.

Dublin's argument is that Irish greyhounds are in any case naturally superior and that it is their owners who need careful handling in the transition to VAT.

The current betting is that EC ambassadors will accept Ireland's case.

French court ruling threatens position of magistrates

BY GEORGE GRAHAM IN PARIS

FRANCE'S magistrates have been thrown into turmoil by a decision of the country's Supreme Court which appears to threaten their shaky independence from political pressure.

The court has suspended Mr Claude Grellier, a judge d'instruction, or investigating magistrate specialising in media affairs, from a case involving allegations of corruption at the CNCL, the French national broadcasting authority.

The suspension of an investigating magistrate is highly unusual - lawyers can think of only one recent precedent, in very different circumstances - and has been criticised as undermining the credibility of the judicial system.

'The accused has set out to create by himself, deliberately and artificially, the conditions for suspending the judge from his case. Such a perversion of the natural order of things is not acceptable,' France's prosecutor general said, according to the newspaper Le Monde, in arguing against the suspension.

It is viewed as highly unusual for Mr Pierre Arpaillange, the prosecutor general, to intervene in person, and indicates the concern felt in many sections of the judiciary at the precedent that could be set.

'I am worried that our judges should be reduced to the role of the Republic's clown, that they should be attacked and insulted by people who perhaps do not have the same love of justice and the same impartiality,' Mr Ar-

paillange is reported to have argued.

Mr Grellier had charged Mr Michel Droit, a right-wing journalist and litterateur named as a member of the CNCL by the Académie Française, with abuse of authority - as rare a piece of jurisprudence as the judge's suspension - in favouring a radio station in the distribution of Paris's overcrowded radio wavelengths.

Mr Droit immediately counter-charged, winning the suspension of Mr Grellier's investigation. The supreme court is to decide on December 10 whether the judge should be finally removed from the case.

The problem for the supreme court was that the position of the judge d'instruction - part-magistrate and part-prosecutor - means that the filing of charges is often accompanied by a public presumption of guilt, which weighs heavily on someone in Mr Droit's position.

The case deals another knock to the judges d'instruction, who have in recent cases such as the Luchaire illegal arms sale investigation or the Carrefour du Développement scandal found their access to information blocked by the government.

The whole 'instruction' process is in doubt, since the government plans to introduce a structural reform which would substantially reduce the investigating magistrate's powers. But the justice minister's original proposals were withdrawn last week after criticisms of their constitutionality.

World Bank aid for India

BY JOHN ELLIOTT IN NEW DELHI

THE WORLD Bank plans to increase its aid to India by \$400m-500m this year to help the country overcome the effects of a drought which is expected to add about \$1bn to the annual balance of payments deficit and almost halt economic growth.

The aid includes a new \$350m quick-disbursing loan to finance imports such as edible oil, fodder, and petroleum products which are needed urgently to counteract the drought. Other bank aid is to be speeded up.

Announcing the loan in New Delhi over the weekend, Mr Barber Conable, president of the World Bank, said he had offered the bank's help in a letter to Mr Rajiv Gandhi, Indian Prime Minister. This was 'on the basis of the long relationship between the Bank and India which is our largest borrower'. The extra funds were to 'help India maintain its growth rate' and to offset the risk of it 'coming under pressure not to import the elements of growth'.

A statement issued by Mr Conable said that India's growth of Gross Domestic Product in the current year was expected to be 'negligible' and that agricultural output 'could well decline by 10 per cent'. Last year GDP grew by 4.5 per cent and the agri-



Conable offering to Gandhi

cultural sector by 1 per cent. The net cost of the drought on the balance of payments was expected to reach \$1bn 'over the next 12 months or so'.

It is understood that Mr Conable and his colleagues seized the opportunity of the drought to demonstrate that changes this year in the bank's management had not altered its allegiance to India.

Mr Conable praised Mr Gan-

dhi, with whom he had lunch last Friday, for his continuing commitment to economic liberalisation. Mr Gandhi's 'perspective is refreshing, his interests widespread', said Mr Conable, who is in India on a five-day visit.

India now expects to receive more than \$1bn in fresh or accelerated aid during the coming 12 to 18 months to help with the economic costs of the drought.

Opposition set to 'lay siege' in Dhaka

BY SAYED KAMALUDDIN IN DHAKA

UNCERTAINTY gripped Bangladesh's capital yesterday as the mainline opposition alliances demanded President Hussain Mohammad Ershad's resignation and prepared to lay a 'siege in Dhaka' tomorrow.

The alliances have still not announced their concrete programme for the day of opposition to the president's administration, which has sparked widespread rumours in this politically volatile country, further contributing to tensions and uncertainties.

A potentially violent situation was averted yesterday when the ruling Jatiya Party, the Awami League-led eight-party alliance and the Bangladesh Nationalist Party seven-party alliance put off three separate rallies in the city scheduled for the same time.

Meanwhile, three people were shot in the southern town of Barisal when demonstrators clashed with police, Awami League officials said. Police said they were still awaiting details. The procession was held as a protest at the death of a student leader. Further protest

rallies in Barisal and elsewhere are expected today.

The government has planned to stop running all state-owned communication systems - railways, bus and steamer services - from today, to prevent people coming into the capital.

The capital's two universities and all colleges have been closed for one week and students asked to vacate their dormitories. This came as a surprise because for the first time in many years, Dhaka University campus is a hotbed of politics - remained calm.

Mr M.A. Matin, the home affairs minister, said that so far, 600 political workers had been arrested under the Special Powers Act, of whom 250 were from Dhaka alone. However, he admitted that other people were being arrested daily on 'specific charges'.

Under the Special Powers Act, anybody can be kept in detention for one month without any specific charge. The opposition parties claim over 5,000 political workers have so far been arrested, which the government denies.



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OVERSEAS NEWS

Italian budget storm likely

By John Wyles in Rome

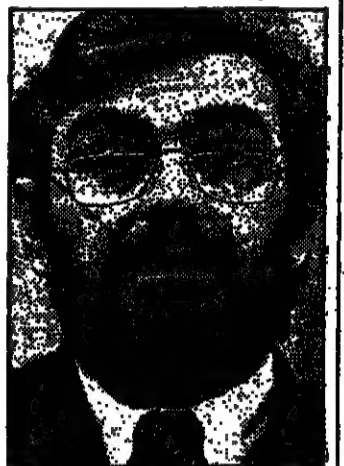
THE Italian government's second attempt of the autumn to assemble a credible budget proposal for 1988 should be largely completed tomorrow, leaving ministers to face a shower of complaints from both sides of industry.

But hostile reaction to the revised version of a budget first adopted at the end of September - which may eventually include a trade union call for a general strike - will be only one of several political burdens under which the government led by Mr Giovanni Goria is visibly bending.

Assuming that the referendum ending today strikes down existing legislation on nuclear energy and the responsibility of magistrates, Mr Goria's coalition will need to overcome serious internal differences over the new policies to be adopted in these areas.

Mr Goria remains outwardly confident that his government can cope on this front, but it is beginning to show real signs of wear and tear as a result of accumulated stress.

Ministers have still not found a response to the waves of strikes hitting public transport services and which will move into the schools next week as rank-and-file movements continue to assert their independence of official union leadership.



Goria: confident

Mr Bettino Craxi's socialists have blocked a limited proposal from Mr Goria which would have required 15 days' notice of strike action, insisting that the government must seek an agreed approach to regulating public sector strikes with the trade unions.

After intensive efforts over the past week, the cabinet is expected to adopt a new budget deficit target for 1988 of around L104,000bn (€33bn)-L105,000bn instead of the earlier L109,500bn.

Economy ministers still insist there was nothing wrong with their original strategy, claiming that changes have been forced on them by the turbulence in financial and currency markets lowering the growth prospects for the world economy.

They have decided to scrap one percentage point increases in VAT which might have been excessively inflationary, and to postpone many long-promised revisions of tax rates which might have given too much of a stimulus to domestic demand.

Earlier reductions in company's social welfare payments have also been halved. Family allowances increases, however, are being retained and brought forward from next July to next January.

Alexander Nicoll examines Brazil's interim agreement with the creditor banks over interest payments
Downgrading deadline concentrates many minds

BRAZIL and the creditor banks have taken the first tentative steps towards a rapprochement, through the interim agreement on Friday to end the country's eight-month moratorium on interest payments on the foreign debt.

However, they have not solved any of their fundamental differences. If they do not do so by next June, the interim deal will fall apart.

Given the confrontation in existence since the suspension of payments in February, it is important that both sides have some as far as they have. As with many deals in the five-year history of the debt crisis, it was a US regulatory and accounting deadline which concentrated sufficient numbers of Brazilian and bankers' minds.

The upshot is that Brazilian loans will not be downgraded by US regulators at present, so US banks will not have to make specific provisions amounting to 10 per cent of their Brazilian exposure.

Unlike the general provisions which these banks have already made this year, such specific provisions could not be counted as part of their primary capital.

Normalisation of Brazil's relations with its banks then would have been very difficult to achieve. Short-term credit lines

would have been further eroded.

The Friday agreement effectively stops the interest payments hiatus at the beginning of last month. It establishes arrangements for Brazil to pay the \$1.5bn interest said to be due from October 1 to the end of the year, and to pay interest from January as it comes due.

Clearance of the \$3bn of arrears on payments from late February to the end of September, however, will depend on an agreement on a longer-term finance package.

The details of the accord are as follows: Banks will advance \$1bn to Brazil in December; Brazil will pay \$1.5bn of interest; terms of a longer-term deal are due to be agreed by January 15; "critical mass" of creditor banks would commit itself to take part in it by March 15, and it would become effective by June 15.

Banks would then advance another \$2bn in short-term funds and Brazil - which meanwhile would have been keeping interest payments current since January - would pay the remaining \$3bn of interest arrears. Also meanwhile, banks would maintain about \$14bn of short-term trade credit and inter-bank lines.

The \$3bn of short-term bank

loans would be repayable by June 30, 1988, at which point they would be superseded by the medium-term finance package. The short-term finance would carry interest of 7/8 of a percentage point above money market rates, as well as a 1/4 fee and a 1/4 or 1/2 early participation fee.

A core group of perhaps 70 creditor banks, accounting for the bulk of exposure to Brazil, would be asked to take part in the short-term loan.

It cannot be taken for granted that banks will agree to take part in this bridging finance. Many - especially non-US banks not subject to severe accounting pressures - have been against a quick interim deal.

They may also object to funding interest payments to other banks. There are also likely to be the familiar arguments about how much each bank should put up.

Against criticism that the deal was simply patched together in Washington and so has little substance, bankers on the advisory committee point out:

• Brazil will resume paying interest and banks will finance only two thirds of 1987 interest payments, instead of the 100 per cent demanded by Brazil.

• Brazil has undertaken to seek an agreement with the in-

ANGER OVER ACCORD WITH CREDITOR BANKS

Brazilian politicians have greeted the country's provisional accord with its commercial creditor banks with a mixture of surprise, confusion and anger.

Members of the dominant Democratic Movement Party (PMDB) appear uncertain as to whether it represents an end to the interest payments moratorium on \$68bn in longer terms scheduled agreement is approved.

There are also fears among

hardliners that the deal breaches their most sanctified principle - no return to supervision by the International Monetary Fund (IMF).

Mr Luis Carlos Bresser Pereira, Finance Minister, has attempted to assure his party that the interim accord does not represent an end to the moratorium, which remains in place until a long-term rescheduling agreement is approved.

Presenting the deal as a "victory," he has also given assurances that Brazil remains firm in its refusal to accept an IMF accord as a prior condition to final agreement in the forthcoming talks.

Many politicians are convinced that intolerable concessions have been made by the small Brazilian negotiating team. Several have described the agreement as unacceptable.

ternational Monetary Fund. This could reduce the possibility that banks would finance Brazilian repayments to the fund.

• The interim deal, though it contains a \$1bn loan in essence without strings, is predicated on a timetable leading to a full-scale agreement and thus can be argued to have value beyond the simple avoidance of an accounting deadline.

The bridge, in bankers' parlance, should lead somewhere. However, the wording of the Friday agreement underlines

the differences between the two sides and the likely difficulties in reaching a longer-term accord.

Brazil agrees to go to the IMF but the statement included a paragraph reiterating Brazil's belief that "it is not in the interest of a satisfactory economic adjustment that disbursements by the international financial community be delayed by shortfalls in compliance with ongoing programmes sponsored by multilateral institutions."

In other words - no linkage between IMF agreements and bank deals.

The statement contained no reference to Brazil's economic condition. Many bankers feel strongly that no agreement should be reached with Brazil until its economic house has been put in order convincingly, and they are unconvincedly aware that, given Brazil's domestic political situation, this could be a long way off.

So, despite the new agreement, normalisation of Brazil's relations with its creditors may also be a long way off.

Argentine inflation highest in 2 1/2 years

By Tim Cooney in Buenos Aires

ARGENTINA'S inflation figures leapt to their highest level in two and a half years last month, partially as a result of the government's new economic measures which have been designed to reduce the fiscal deficit.

Official figures published over the weekend show retail prices rose by 19.5 per cent during October, while wholesale prices rose by a record 30.4 per cent, the highest rates since June 1985 when the so-called Austral Plan was introduced, and which led to a year of relative price stability.

The principal causes of the leap appear to be the inertial effects of important pay and price rises authorised during September, and the new economic package launched last month, which made major upward adjustments in public utilities and transport tariffs, a 27 per cent devaluation of the Austral currency, and across-the-board price increases authorised to industrial producers prior to the announcement of a new price and wage freeze.

The government is hoping that the new measures, after the initial shock, will produce an other period of relative price stability.

Economy ministry officials say their immediate target is to bring retail price increases below 5 per cent a month.

The good news for the government has been the announcement in Washington last Friday of the IMF waiver on Argentina's standby loan.

This will release not only a disbursement of \$215m by the end of the month, but also a bridging loan of \$500m being arranged by the US government and an estimated further \$500m out of a \$1.65bn loan and debt refinancing package.

Talks fail to end township fighting

By Anthony Robinson in Johannesburg

THE VICIOUS in-fighting between rival warlords for political control over black townships in the Durban and Pietermaritzburg areas of Natal claim five more victims over the weekend, despite a top-level peace meeting between Zulu chief Mangosuthu Buthelesi and clerics led by Archbishop Desmond Tutu on Friday.

The meeting was aimed at seeking an end to the fighting between groups linked to the Zulu Inkatha movement and the United Democratic Front (UDF), which has simmered for the last two years and led to more than 150 deaths so far this year.

At a press conference in Johannesburg on Saturday, Mr Govan Mbeki, the veteran African National Congress (ANC) and Communist Party leader, who was released last week after 23 years in jail for sabotage, said that bringing an end to the fighting was a high priority for ANC leader Mr Nelson Mandela.

The two men met for an hour in Pollsmoor jail on Thursday before Mr Mbeki's release. In response to questions, Mr Mbeki said he would personally be prepared to go to Pietermaritzburg if this would help to end the violence.

Mr Mbeki returned to Port Elizabeth yesterday and is expected to receive a warm welcome when he returns to the nearby township of New Brighton, where he will live. At his press conference, he revealed that he had spoken several times by telephone to his son, Mr Thabo Mbeki, and other senior executives of the ANC leadership in exile and hoped to get Pretoria's permission to fly to Lusaka to meet them shortly.

The Minister of Justice, meanwhile, has confirmed that, although Mr Mbeki was released unconditionally from jail, he remains a "listed person" because of his admitted Communist beliefs and, therefore, cannot be quoted in South Africa without prior permission. This fact, and the continuance of the state of

emergency, is expected to limit effectively Mr Mbeki's future role inside South Africa.

No such restrictions apply to the utterances of Chief Buthelesi, a fierce critic of the ANC leadership in exile, who has consistently called for the release of jailed ANC and other black leaders, however, as a precondition for agreeing to take part in Government-sponsored negotiations. These are aimed at hammering out a power-sharing agreement which Pretoria hopes will lead to moderate blacks accepting a gradualist timetable which would leave whites in control of the main levers of power for decades.

Chief Buthelesi, who questioned the impartiality of Archbishop Tutu and other clerics before last Friday's peace talks, has welcomed the release of Mr Mbeki and urged the Government to follow this up with the release of Mr Mandela and other black leaders.

Chief Buthelesi has indicated that, once jailed leaders are released and their organisations unbanned, he would feel free to participate in negotiations with the Government, whether the ANC decided to take part or not.

Kabul rebel force 'crushed'

AFGHAN armed forces destroyed a 170-strong group of Western-backed rebels in Fara Province, bordering Iran, the official Kabul radio said yesterday. Reuters reports from Islamabad.

The rebels were intercepted recently while transporting sophisticated US weapons and ammunition, the radio said. However, the wording of the report did not give casualty figures, saying only that the group had been "crushed".

Search for Malawi aircraft

THREE British business executives and a South African are among 10 people missing aboard a Malawian charter plane apparently shot down on Friday over Mozambique, Reuters reports from Lilongwe.

The official Malawi News Agency (MANA) said they were on board an Air Malawi Skyvan reported missing between the southern Malawian town of Blantyre and the capital Lilongwe on a route that passes through Mozambican airspace.

The aircraft did not make its scheduled contact with ground

control halfway through the one-hour flight, and Malawi authorities asked Mozambique to help search for it, MANA said.

On Saturday Maputo Radio said Mozambican armed forces shot down an aircraft violating Mozambican air space in the Ulongwe district of Tete province.

Ulongwe is about 20 km from the Malawi border, in an area of conflict between Mozambican forces and right-wing rebels. Relations between Mozambique and Malawi were strained until a year ago after Maputo

accused Malawi of supporting the rebels.

Ties have improved this year and Malawi has sent several hundred troops to Mozambique to help protect the northern rail link to Nacala port.

MANA said the aircraft, with a pilot, two crew members and eight passengers, was chartered by the Ethanol Company (Malawi). It listed the passengers as Britons R.E.M. Jager, A. Ramsey and C. Everett, South African C. Tomaselli and Malawians W. Salima, Miss E. Janga, A. Kambala and W. R. Makhalira.

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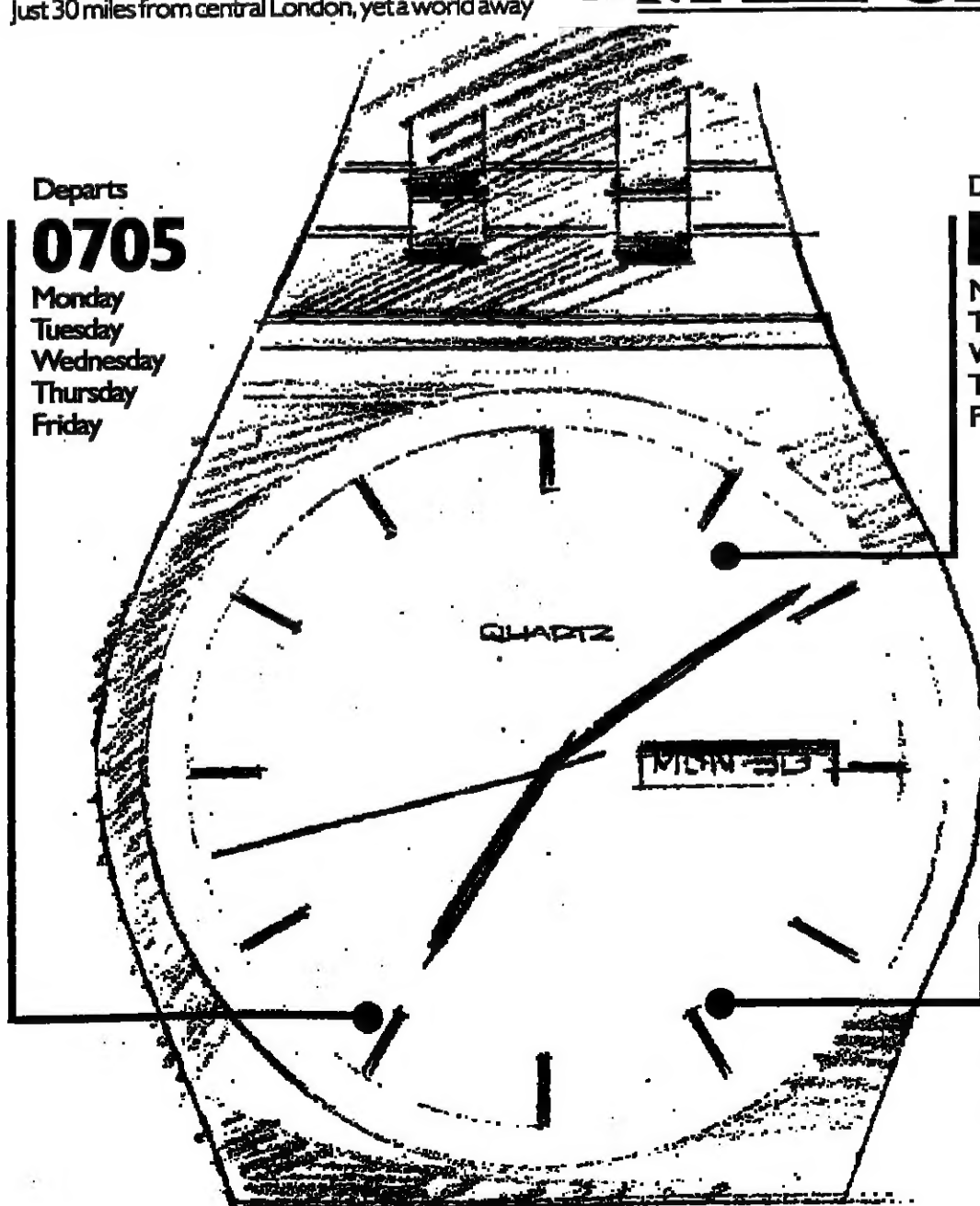
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OVERSEAS NEWS

Syrian leader likely to dominate Arab emergency summit

By TONY WALKER in AMMAN

AN EMERGENCY Arab summit, which began in Amman yesterday, was likely to be dominated by the ruler of a near-bankrupt state, whose support of Iran in the Gulf war has deeply angered regional neighbours.

President Hafez al-Assad of Syria should be contemplating censure by his fellow-Arab Heads of State. Instead, it is likely he will play a grudgingly respected role in summit deliberations.

'People were saying that Assad would be weakened by the economic crisis at home, and his difficulties in bringing order to Lebanon, but I don't agree,' said a Western official. 'In fact, his position is not as weak as it seems.'

The official noted that Syria had for the past year been 'orienting' its foreign policy in an effort to build bridges to its Arab brothers. It was anxious not to be regarded as the 'Libya of the Levant.'

President Assad may well use his relationship with leaders in Tehran to his advantage, arguing - as he has done frequently in the past - that only Syria among Arab states is in a position to restrain Iran.

It was notable that in the build-up to this special summit, there was frequent contact between Syrian and Iranian officials, including a visit to Damascus two weeks ago by Mr. Hossein Mousavi, Iran's Prime Minister. Observers in

Amman assume 'understandings' were reached between Syria and Iran relevant to likely summit deliberations.

Mr Assad's aims can be summarised as a desire to ensure that any discussion about the Arab-Israeli dispute takes full account of Syria's suspicions that the US may seek to isolate it in the peace process if one were ever to get under way, that a Gulf war resolution does not close the door to further mediation, that Arab financial support for Syria be maintained, and that Egypt remain excluded from the Arab League.

Syria's leader will probably also be seeking Arab support for his efforts to bring order to the chaos in Lebanon.

Mr Assad, one of the longest-serving Arab leaders, will not expect, according to observers, to escape completely unscathed from the summit. He may well prove more flexible on the critical issue of the Gulf war than anticipated.

With the arrival yesterday of the Libyan delegation, a full complement of 21 Arab League states are attending the summit hosted by King Hussein of Jordan.

Not all delegations, however, are led by heads of state. Notable absentees are King Fahd of Saudi Arabia, Col. Muammar Gaddafi of Libya, and King Hassan of Morocco. King Fahd's absence robs the occasion of some importance.

The presence of the pro-Syrian Prince Abdullah at the head of the Saudi delegation adds weight to the view that Mr Assad will have an easier time than might have been expected.

A feature of the summit may well turn out to be the clash of strong personalities. Mr Assad against Iraq's President Saddam Hussein, both leaders of rival wings of the Arab Ba'ath Socialist Party.

Abu Nidal seizes 8 European hostages

By Andrew Whitley in Jerusalem

A YACHT carrying eight Europeans, including two children, is reported to have been seized in the Eastern Mediterranean by the Abu Nidal guerrilla group, in an apparent bid to embarrass the Arab League summit conference, which opened in Amman yesterday.

But claims in Beirut by an Abu Nidal spokesman that six of the hostages - five Belgians and a French woman - also carried Israeli nationality were being discounted last night. Computer checks in Israel of the names released by the group were said to have drawn a blank.

Mystery, meanwhile, surrounded the abduction of the yacht, the French-registered *Silco*, said to have been flying the Israeli and Belgian flags.

While the extremist Palestinian group claimed that the 17-ton boat had been seized off the Israeli-occupied Gaza Strip, Western diplomats said it was more likely that the *Silco* had been sailing between Cyprus and the northern Israeli port of Haifa. Nor was it clear when the incident took place.

The Israeli authorities last night responded to the news with a mixture of puzzlement over the contradictory details and relief that, on first appearance, no return of the 1986 Achille Lauro hijack appeared imminent.

There was speculation that those holding the yacht's passengers may be trying to force the release of some of the 4,000 Palestinian prisoners in Israeli jails. But, if none of the hostages are Israeli or Jewish, the Israeli Government is unlikely to get involved in the affair.

Andrew Whitley reports on the inspiration and growth of Islamic Jihad Resistance for Allah and a homeland

'Khayba, Khayba, O ye Jew! The army of Mohammed will return'

Manacled to prison guards, the bearded defendants repeatedly chanted this rallying cry in Arabic, defiantly taunting the Israeli army judges and prosecutor at their recent trial.

It was at the Khayba oasis, in 638 AD, that the newly-organised forces of the Prophet crushed a Jewish tribe then living in the Arabian Peninsula. By reviving the memory of the battle and linking it to their own struggle against Israel, the young Palestinians were making an unmistakable political point: their captors may have the upper hand for now, but the power of Islam would be irresistible in the long run.

In a smart, newly-completed mosque complex, a few hundred yards from the aqueduct of a beachside refugee camp in Gaza City, Sheikh Abdul-Aziz Odeh spelled out to a visiting journalist last week the trenchant doctrine which has made him one of the most influential spiritual leaders in the occupied territories.

'God says that, if Moslems are attacked or their lands are occupied, they have the right to resist with all possible means. Jihad is undertaken for the sake of God, to defend the rights of Muslims to a homeland, as the Koran explains,' he says. Occupation, resistance, homeland - all the key emotive words, wrapped in divine blessing in one succinct Sheikh Odeh's political formula in Egypt during the 1970s, where he studied Islamic law, is common to that of many of the new breed of Gazan militants.

Even so, the literary influences on this Islamic doctrine are eclectic, to say the least. He is an admirer of Dr Ali Shariati, the late Iranian revolutionary theologian whose writings were seminal to the Eshomai revolution. Also, perhaps copies of Shakespeare's *Othello* - in English and Arabic - were on the table of the small bare room.

The bard as a revolutionary? Perhaps inspiration was being drawn from the 'noble Moor'. But what about D.H. Lawrence's England, my England, which lay beside these books? That was an unsolved mystery.

Mr Yitzhak Rabin, Israel's Defence Minister, argued the other day that 'Islamic Jihad' - the label which a growing number of Palestinian fighters in the occupied territories is adopting - was indistinguishable from the Palestine Liberation Organisation. 'All the operations carried out by the so-called Islamic Jihad were organised by the

Lebanese organisation called Islamic Jihad and its Palestinian counterpart. The former is mostly Shi'a Moslem in membership and has close ties to Tehran; the latter is exclusively Sunni and appears to be largely self-financed and self-armed.'

The second, generally accepted point is that, even more than in Lebanon, Islamic Jihad is not so much an organisation with a chain of command and a rigid cell structure as a diffuse movement which has taken many guises. Some go further and say it is only an ideology or doctrine - albeit one which commands a

high degree of loyalty and fanaticism from its adherents, most of whom came of age politically during the Israeli occupation of the past 20 years.

Mr Rabin airily dismissed the phenomenon as 'a wave which after a while will go down.' But what ought to trouble the Israeli government is that, after a long period of relative domestic tranquillity, Islamic Jihad represents a qualitative change in the nature of Palestinian local resistance.

Its stronghold is in Gaza, particularly within the Saudi-financed Islamic University, the scene of pitched battles between students and soldiers. However, Israeli Defence Ministry analysts believe the movement has recently established deep roots in Arab East Jerusalem as well.

In the more secular West Bank, as in Gaza, Moslem activists have been making over the past two years a determined onslaught on the region's universities, leading to frequent internal clashes with traditionally minded nationalists.

Clandestine pamphlets showing the potent symbols of each group - usually Korans and flags held aloft, superimposed on a silhouette of Palestine - demonstrate their combined political and religious goals. Although the authorities say they have been aware of its existence for about three years, the first action which brought the name Islamic Jihad to pub-

What makes Islamic Jihad possibly more dangerous than any previous opposition Israel has faced is its followers' willingness, even eagerness, to die for the cause. 'Through Jihad (the Islamic concept of a holy war) Moslems will either gain victory or become martyrs,' said Mr Assad Siftawi, a former senior Fatah leader in Gaza and father of one of the six escapees. 'People have come to see that Islam is the road to liberation and the recovery of our lands.'

By comparison with other Arabs, Palestinians have never been considered overly religious. Exposed successively during this century to British, Israeli and American influences - the latter mainly through immigration - they were long judged a mainly secular, cosmopolitan people who would not fall prey to obscurantist forces.

That judgement may now have to be reassessed. In Islamic Jihad, a still evolving movement, ancient nationalism and fundamentalism have combined in a potentially lethal brew which some Israeli strategists have long feared.

Among its godfathers were the success of the Islamic revolution in Iran, frustration with the concessions that the PLO has appeared willing to make to Israel since 1982, and the way in which Lebanese suicide bombings have been carried out in the streets of Lebanon in 1984 and 1985.

'I am a Palestinian Moslem,' said Sheikh Odeh. 'I see Palestine as the most important homeland in the Moslem world, and I hope an Islamic state will be established there. We are dreaming of it.'

By reviving the memory of the Khayba oasis battle, young Palestinians were making an unmistakable political point: their Israeli captors may have the upper hand for now, but the power of Islam would be irreversible in the long run

PLO's Western Sector Command, he said.

Mr Rabin they claim to have detected close organisational links with the PLO, particularly through Jordan. Mr Rabin's own experts would not go so far. Struggling to come to grips with a new phenomenon, the Israeli security forces are still unclear about its full extent or threat.

In Faiah, the mainstream PLO faction headed by Mr Yasser Arafat, returning to its leaders' 1970s origins, in the shadows of the fundamentalist Moslem Brotherhood organisation in Gaza? Or did the PLO decide recently to hitch a ride on an indigenous, grassroots movement owing no loyalty to the PLO's own traditional vanguard role?

The answer may well be a mixture of both. 'What we can see for sure is that there is a slow, strong upward trend. It's a growing power that must be contained,' commented one senior Israeli officer.

Israeli Arab-watchers and Palestinian activists agree on two key points. First, there is no connection other than the name and a broadly similar philosophy between the underground

high degree of loyalty and fanaticism from its adherents, most of whom came of age politically during the Israeli occupation of the past 20 years.

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Arafat appeals to Israelis

MR YASSER ARAFAT, leader of the Palestine Liberation Organisation, has appealed to Israelis to help him solve the conflict between their two peoples, the Israeli Communist Party said yesterday. Heurter resolute from Jerusalem.

'I appeal with an open heart to the people in Israel so they will know it's impossible to wipe out 5m Palestinians and their national rights, just as it's impossible to wipe out Israel,' he told the party's weekly bulletin.

'A just solution must be found for the good of both peoples,' he was quoted as saying.

The bulletin said Mr Arafat expected the Arab summit in Amman this weekend to support the convening of a UN-sponsored Middle East peace conference attended by all involved in the conflict, including the PLO.

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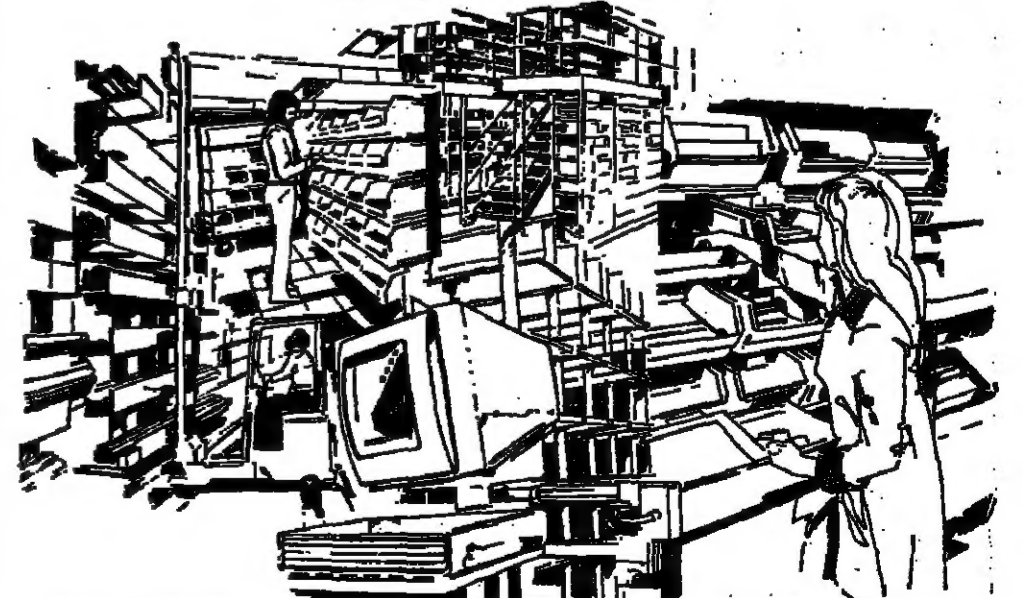
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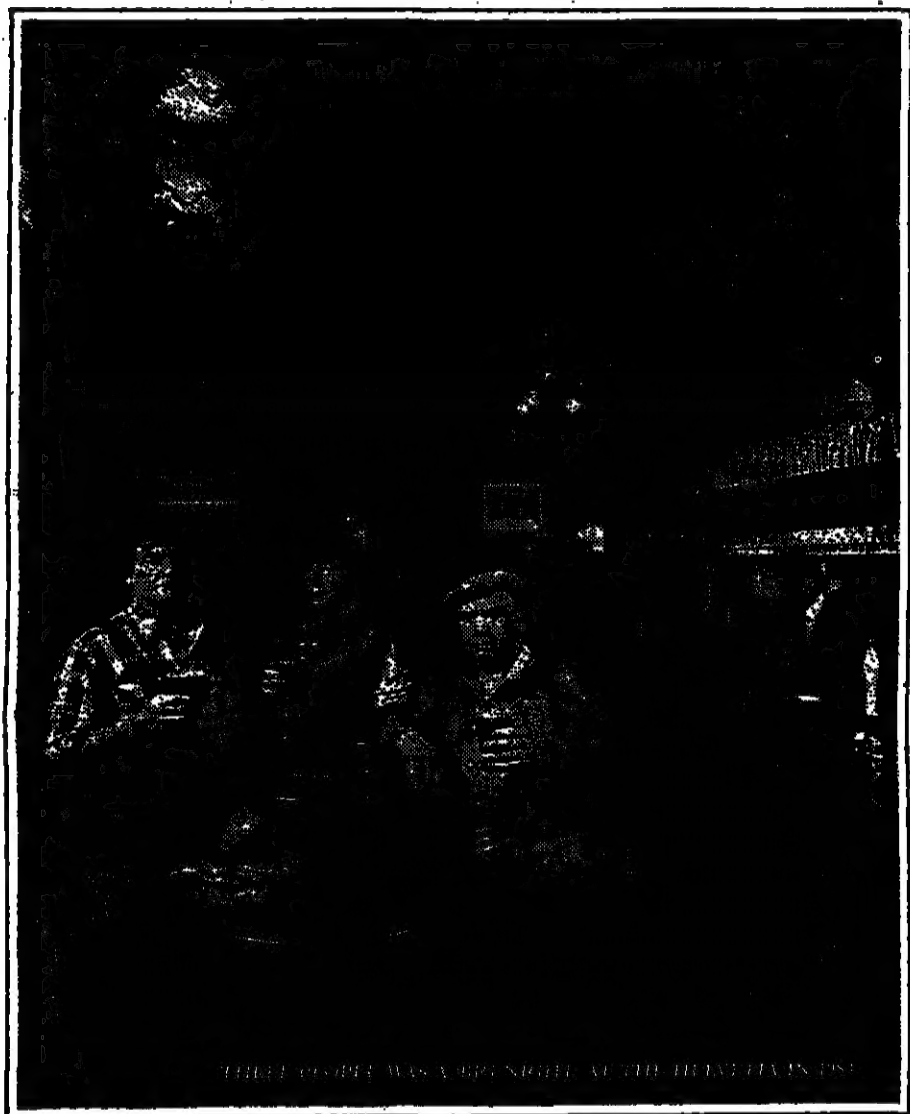
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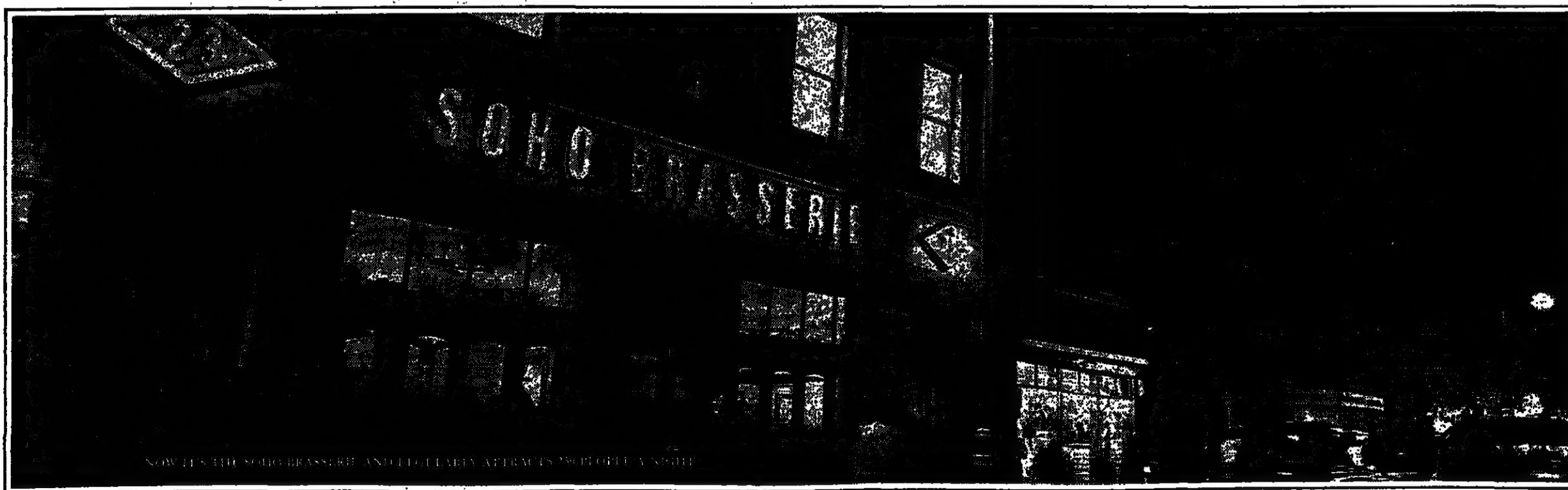
It's certainly been a recipe for success in Soho. In 1983, The Helvetia in Old Compton Street, was one of those pubs where three pints of bitter and a packet of cheese and onion crisps was a big order. Today on the same site, expensively padded shoulders jostle with each other at the bar, for another couple of champagne cocktails before dinner.



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The Soho Brasserie is just one result of our policy of researching what's missing in an area, then building it. In Watford, we discovered what would get people out for the night was a night spot. So we converted a large roadhouse pub into The Gamebird. It's now a thriving, jiving success turning over £750,000 a year.

And in Bolton, we found what they were crying out for was a really traditional pub. The Howcroft is now packed every night and has anything but traditional profits. In the last few years we've spent £270 million on our pubs. And in some places we noticed the last thing people wanted was another pub. So we've turned them into café-bars, restaurants or wine bars. And giving people what they want really pays off.



Our profits have never been higher. The success of places like the Soho Brasserie is all part of our commitment to our role as a leading international food, drink and leisure group. Which is of course, of little consolation to our competitors.

So we offer them this advice. To achieve our success, start by discovering what's missing from your beer.

Allied-Lyons

OVERSEAS NEWS

IMPALA PLATINUM HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
Registration Number 57/01979/06
(Impalats)

POSTPONEMENT OF RIGHTS OFFER

Further to the announcement of 22 and 30 October 1987, shareholders of Impalats are advised that the board of directors of Impalats has decided to postpone the rights offer until a later date. This decision has been taken in view of the continued uncertainty on world stock markets in general, and of platinum share prices in particular.

It has, however, been decided to proceed with the establishment of the new mine as planned. A decision on the long-term funding arrangements will be deferred until such time as world stock market conditions have stabilised. Notwithstanding this postponement, shareholders of Impalats will still be requested to authorise the creation of the 'S' ordinary shares at the general meeting, to be held at 10h30 on Friday, 13 November 1987, as set out in the circular to shareholders issued on 21 October 1987.

Johannesburg
9 November 1987

SPONSORING BROKERS
South Africa

MERCHANT BANK

Senbank
Central Merchant Bank Limited
(Registration number 55/01742/08)

Anderson, Wilson & Partners Inc.
(Registration number 72/08305/07)
(Member of the Johannesburg Stock Exchange)

United Kingdom

James Capel & Co.
(Member of the Stock Exchange, London)

MINERALS AND RESOURCES
CORPORATION LIMITED
NEW LUXEMBOURG PARENT COMPANY
FOR THE GROUP "MINERCO"

At a Special General Meeting of shareholders of Minerals and Resources Corporation Limited held in Brussels on November 4, 1987, shareholders voted overwhelmingly in favour of the Scheme of Arrangement under which Minerals and Resources Corporation Limited will receive one new Ordinary share in Minerals (a company incorporated in Luxembourg which is to become the new parent company of the Group) for each existing Ordinary share held in Minerals and Resources Corporation Limited at the close of business on November 25, 1987.

Subject to the approval of the Supreme Court of Brussels, the Scheme will become effective on November 27, 1987 and registered in the new parent company, Minerals, within approximately twenty-eight days thereafter. Arrangements in relation to holders of share warrants to bearer will be the subject of a further advertisement in the Press.

SWITZERLAND
FINANCE AND
INVESTMENT

The Financial Times
proposes to publish this
survey on
Tuesday 15th December 1987

For further information
please contact
Gunter Breidling on
022 / 311 604

Financial Times (Switzerland)
15, rue du Commerce
1201 Geneva
or
Patricia Surridge
Bracken House
10 Cannon Street
LONDON EC4A 3DF
Tel. 01/248 8000 ext 3426

FINANCIAL TIMES
EUROPEAN BUSINESS
NEWSPAPER

French
expansion
'likely to
decelerate'

By Ian Davidson in Paris

The French economy is likely to slow next year with a growth rate of only 1 per cent, compared with 1.6 per cent last year, according to the latest calculations by RIFE, one of the leading private forecasters. The projected growth rate for 1988 would be about one-half of a percentage point less than that previously forecast by RIFE, in June, as a result of the recent international stock market and financial crisis.

It would also be well below the French Government's recent projection of 2.2 per cent growth in 1988. The RIFE forecast puts the 1988 French trade deficit at FF440bn (£2.94bn), compared with a probable FF435bn for 1987.

Satellite station
order for Norway

ES NERA, a subsidiary of Norway's Elektrisk Bureau, has won a Nkr40m (\$2m) contract to supply China with an Earth satellite station to be connected to the Inmarsat world satellite system. Karen Fossli reports from Oslo.

Low investment growth
forecast for W Germany

BY DAVID MARSH IN BONN

CAPITAL investment by West German industry is likely to grow by only 1 per cent in real terms next year, indicating that the economy is decelerating further, according to the Munich-based IFO economic research institute.

The forecast, resulting from the institute's regular autumn survey of 3,350 companies in manufacturing industry, compares with an expected real investment increase this year of 5 per cent, the institute said.

In 1986 and 1987, the companies surveyed by IFO registered double-figure growth rates in real investment.

The survey was carried out before the latest unrest on international financial markets, in particular the sharp fall in the dollar against the D-Mark.

Total investment on plant and equipment next year, according to the five institutes, is expected to rise by 3.5 per cent in 1988 after 4 per cent in 1987, with construction investment rising 1 per cent after a similar fall this year.

IFO said the slowdown in investment spending was concentrated on the capital goods industry, which is one of the mainstays of the country's economy. Investment to expand capacity will become still less important next year, according to the survey. Only 32 per cent of companies said their 1988 spending was earmarked for expansion, with 47 per cent concentrating on rationalisation and 21 per cent aiming to replace equipment.

Lisbon sees
GDP up
by 3.75%
next year

By Our Lisbon Correspondent

THE LISBON Government has announced optimistic economic growth targets for 1988 focused on buoyant capital investment and exports allied to a reduction in domestic consumption and a sharp fall in imports.

The economic plan that will serve as a framework for the 1988 budget forecasts Gross Domestic Product growth will total 3.75 per cent next year, compared with an expected 5 per cent in 1987. The target for fixed capital investment growth that should reach 16 per cent this year, is set at 8 per cent.

Annual average inflation, expected to fall to 9 per cent this year, is forecast to drop to between 5.5 and 6.5 per cent.

This target is strongly contested by unions, who estimate 8 per cent inflation as a more realistic basis for wage claims. Total domestic demand is expected to increase 8.1 per cent this year, but only 4 per cent in 1988.

Maintaining steady growth without succumbing to a renewed inflationary spiral will depend greatly on the Government's success in cutting the rise in private consumption from an expected 8.5 per cent this year to 3 per cent in 1988 and reducing import growth from 20 per cent to 6 per cent.

The plan indicates the Government will impose tight restrictions on credit and press for wage restraint in a bid to curb consumption and inflation.

Export growth, estimated to reach 10 per cent this year, should be 5.75 per cent in 1988, according to the Government plan.

Bonn uncovers steel smugglers

BY LESLIE COLTIN IN WEST BERLIN

BONN authorities have uncovered a steel smuggling racket involving the sale by European steel traders of more than DM200m (£88m) of East German steel in western Europe, the US and Turkey in 1986 and 1987.

The companies are accused of selling the steel, having given it an European Community country of origin in order to evade the Community's quota of East German steel. The steel traders include 'big name' companies, according to the customs office of the Finance Department in Düsseldorf which is leading the investigation.

A department official confirmed that 100,000-200,000 tonnes of East German steel worth up to DM170m (£68m) had been 'smuggled' into EC countries, and that another 74,400 tonnes of East German steel was sold in the US, probably as steel from the European Community. In addition 51,000 tonnes of the contraband steel were exported to Turkey with false papers.

The department said that, all told, it was investigating the whereabouts of 300,000 tonnes of East German steel shipped from the West German free ports of Luebeck and Hamburg last year and in 1986. East Germany produces nearly 8m tonnes of steel annually.

One of the West German steel traders being investigated was said to have paid DM100,000 to a Swedish business partner at Düsseldorf airport to obtain falsified shipping papers needed to import 3,300 tonnes of East German rolled steel into West Germany. A total of 33,000 tonnes of the illegal steel were sold in West Germany.

tions between the two German states, he added.

No tariffs are levied on trade between East and West Germany but Bonn imposes quotas on East German steel as well as some other products. EC countries have in the past complained about East German goods obtaining access through West Germany to other EC countries, but Bonn said such misuse was rare.

Any proof of East German involvement could harm that country's negotiations to conclude a trade agreement with the European Community.

WORLD ECONOMIC INDICATORS

RETAIL PRICES
(1980=100)

	Sept '87	Aug '87	July '87	Sept '86	% change over previous year
W. Germany	128.9	121.3	121.3	128.4	-4.2
France	168.2	168.0	167.6	162.9	-4.2
Italy	213.0	211.5	210.9	202.5	-5.0
Netherlands	123.4	122.4	122.1	122.5	-1.0
Belgium	145.3	145.4	145.1	142.6	-1.6
United Kingdom	153.3	152.7	153.2	147.1	-4.1
USA	139.1	138.8	138.2	135.5	-1.5
Japan	114.1	115.2	115.1	115.3	-1.7

Source: Concept USD Eurostat

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US\$400,000,000 Undated Primary Capital
Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Determination period from 9th November, 1987 to 9th December, 1987 the Notes will carry interest at the rate of 7½ per cent per annum.

Interest accrued to 9th December, 1987 and payable on 6th January, 1988 will amount to US\$62.50 per US\$10,000 Note and US\$62.50 per US\$100,000 Note.

Standard Chartered Merchant Bank Limited
Agent Bank

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(Incorporated with limited liability in England)

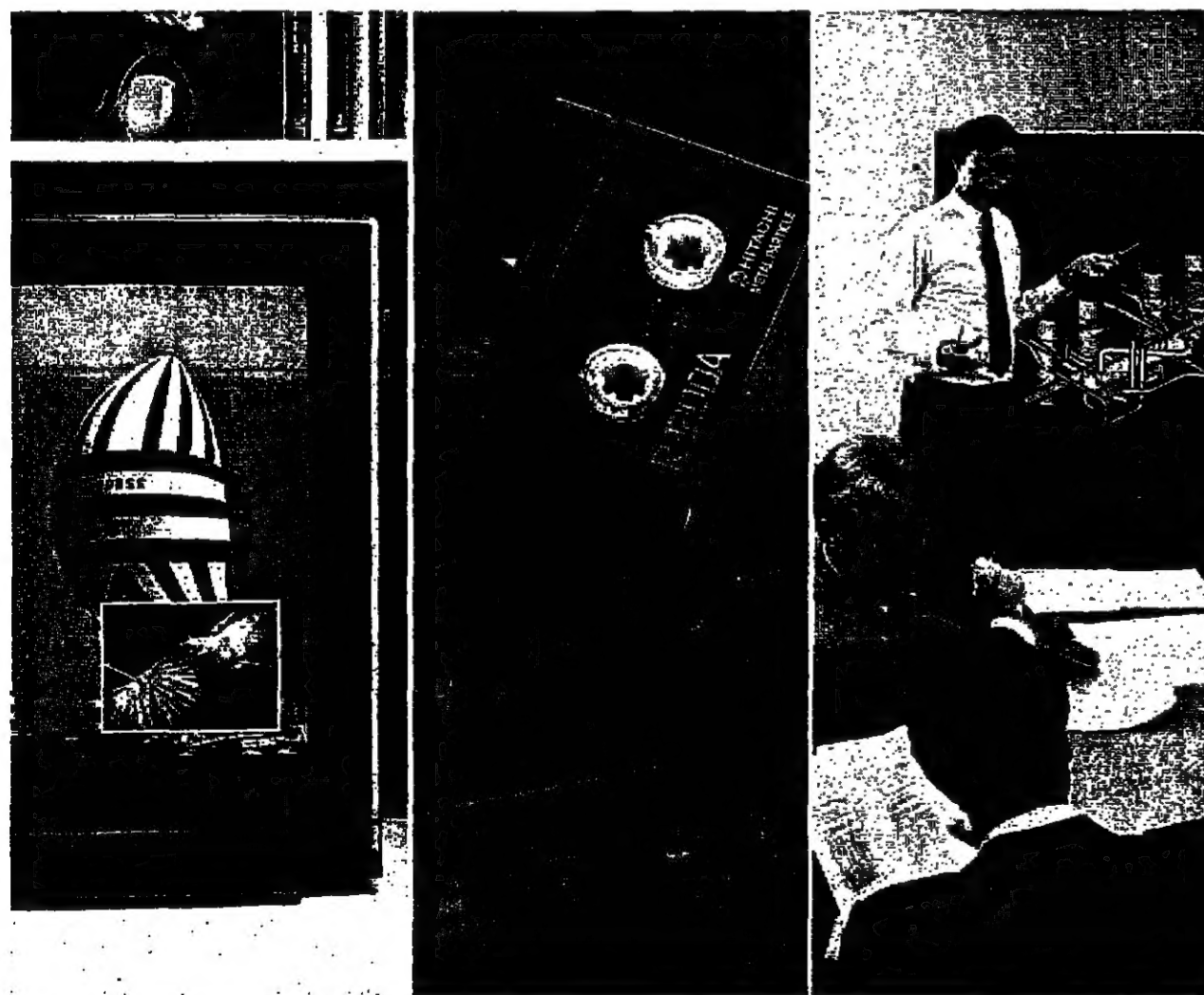
US\$300,000,000 Undated Primary Capital
Floating Rate Notes (Series 2)

In accordance with the provisions of the Notes, notice is hereby given that for the six months period (182 days) from 9th November, 1987 to 9th May, 1988 the Notes will carry interest at the rate of 7½ per cent per annum.

The interest payment date will be 9th May, 1988. Payment, which will amount to US\$385.49 per US\$10,000 Note and US\$1,927.43 per US\$50,000 Note, will be made against surrender of Coupon No.5.

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Hitachi's scientists and engineers are using digital applications such as frame memory to develop Improved Definition TV. IDTV will greatly improve picture quality without changing current broadcasting standards by doubling the density of scanning lines and increasing vertical resolution 1.5 times. This same Hitachi technology has resulted in the Digital Audio Tape recorder, which is capable of superior recording and reproduction.

Hitachi's original screen technology has led to high-density big screen projection TV, using screens up to 110 inches. It is contributing to a wholly new technology, High Definition TV. HDTV is capable of photographic quality resolution and will soon enable satellite services to transmit wide screen images that give the viewers the feeling of actually being there.

We link technology to human needs, and believe that our special knowledge will lead to numerous easy-to-use systems and products with highly advanced functions. Our goal in audiovisual — and in medicine, energy and transportation as well — is to create and put into practice products and systems that will improve the quality of life the world around.

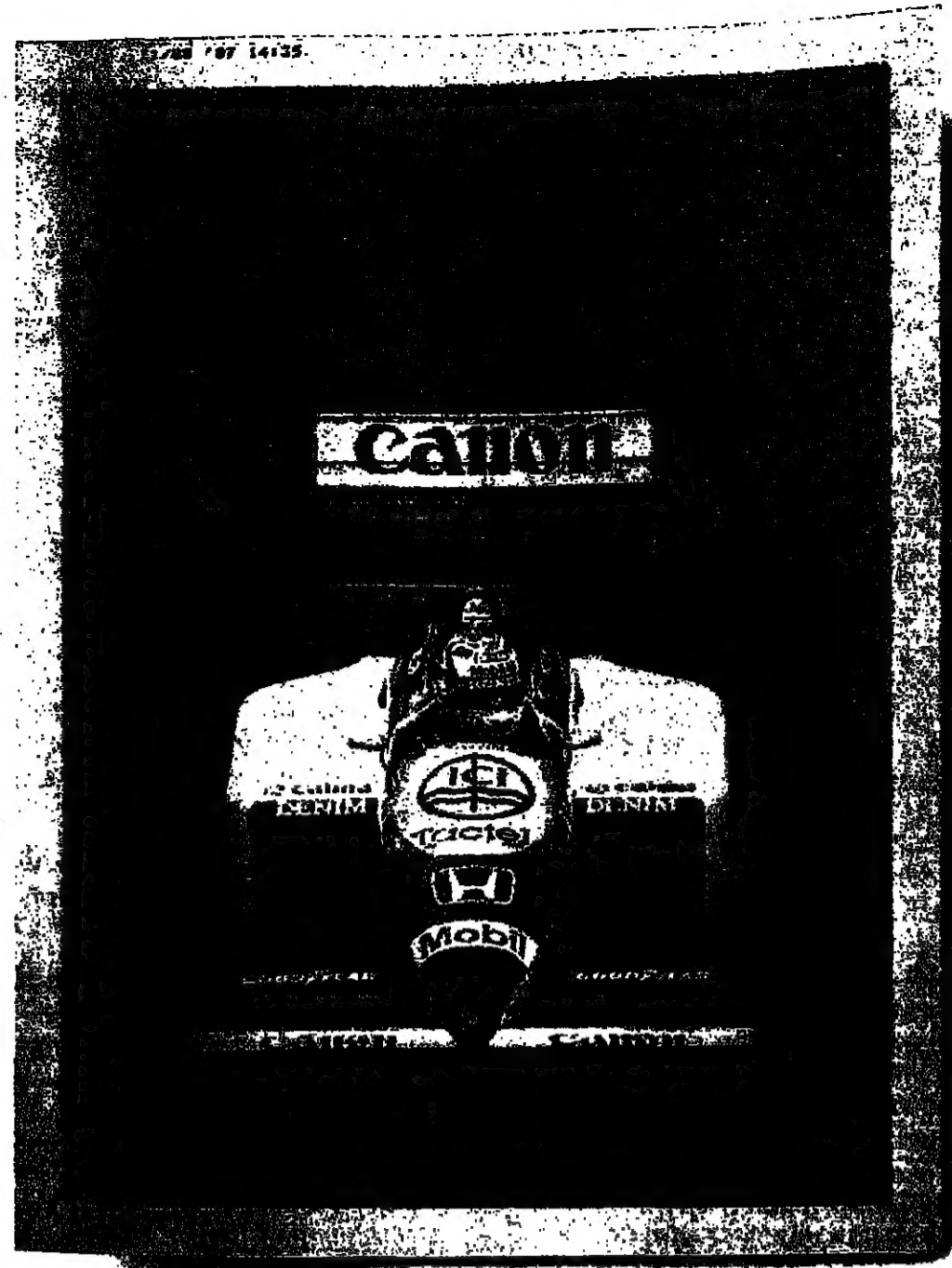
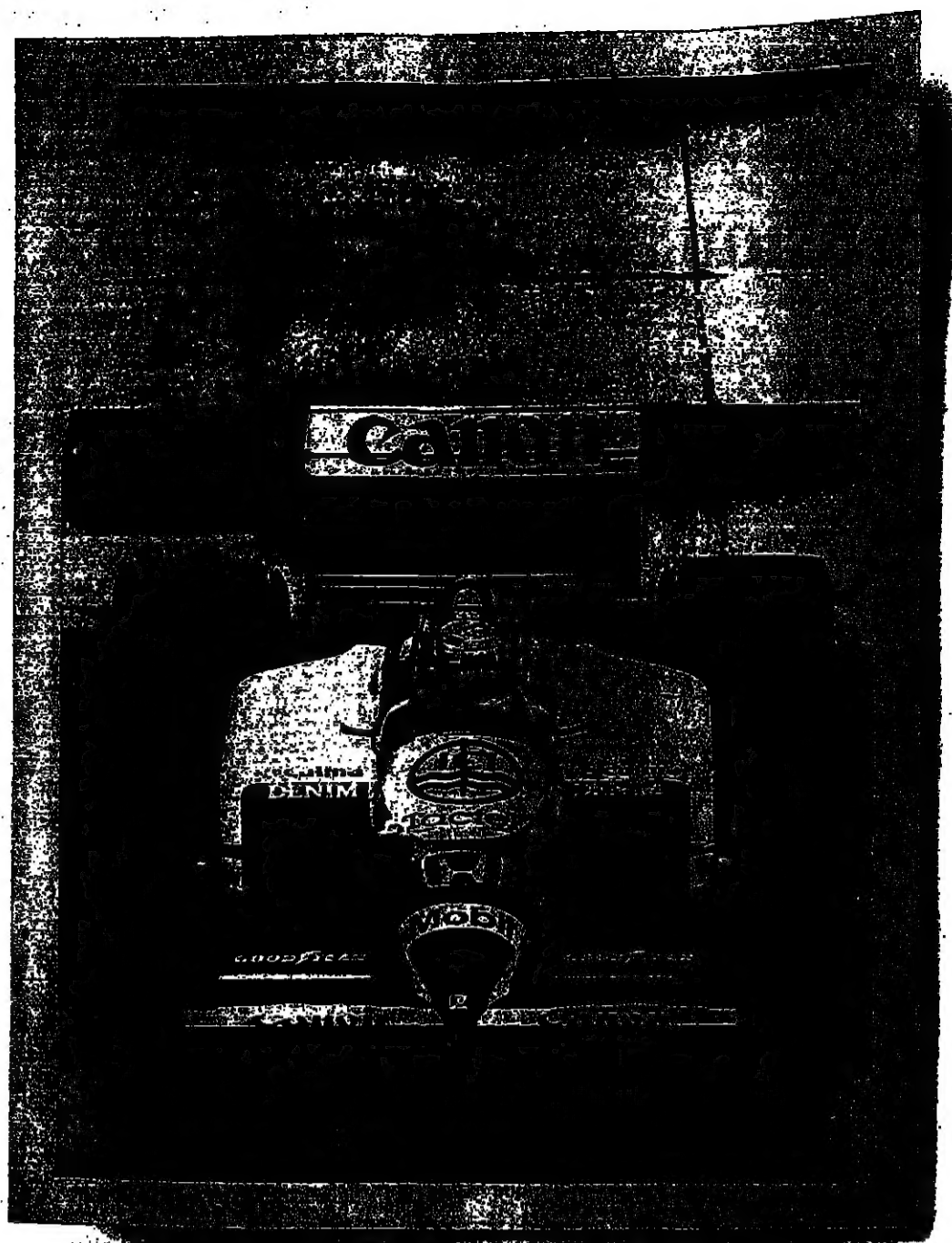
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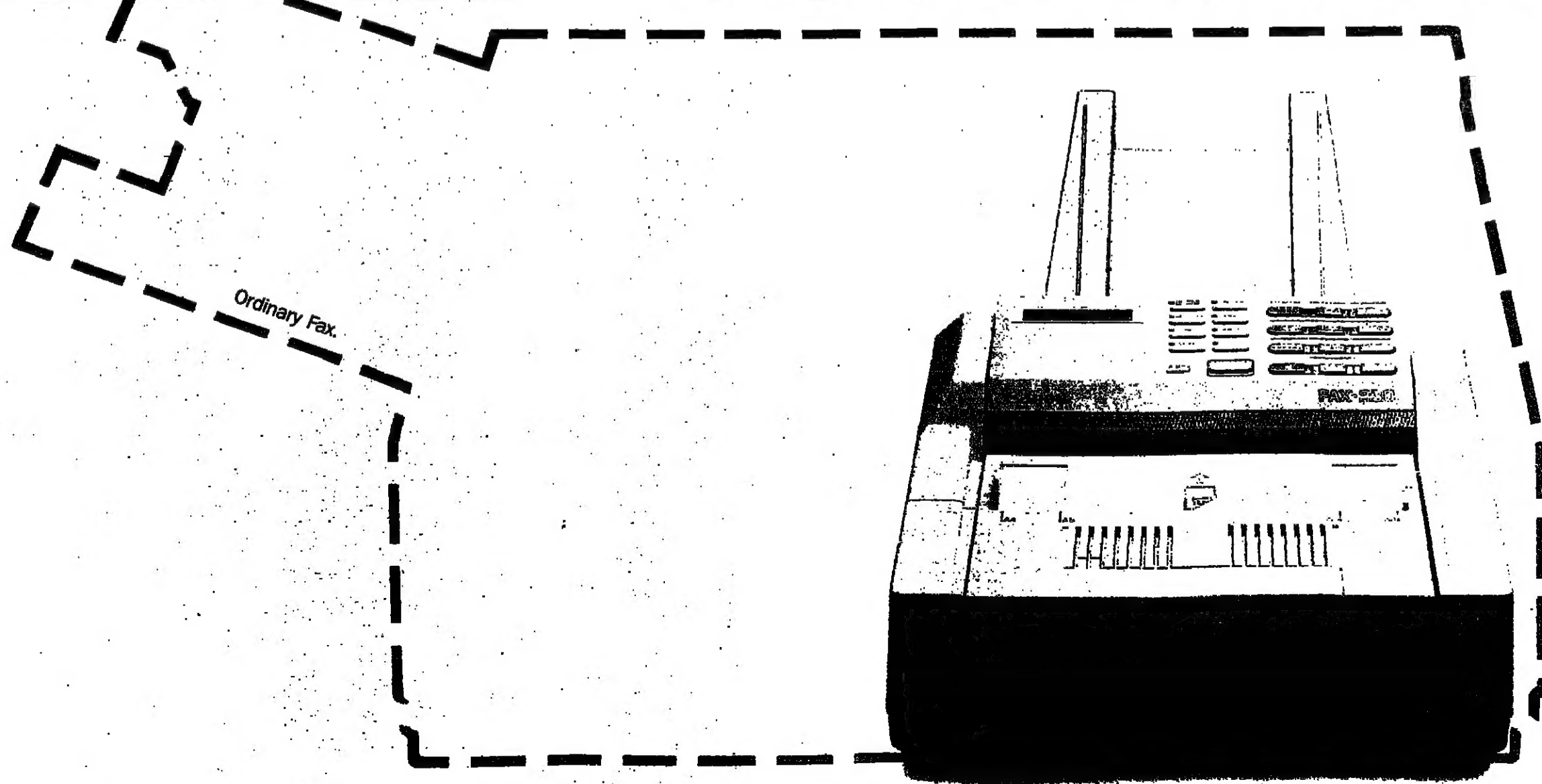
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I F A N Y O N E C A N **Canon** C A N 

UK NEWS

Eric Short on the impact of the Sex Discrimination Act Pension anomalies of work equality

ON JANUARY 7th & 8th, 1988, ALL THE BLUE CHIPS WILL BE IN PARIS.

The Paris Bourse invites you to join *le tout Europe* of stock exchange professionals – listed companies, institutional investors, banks, computer technology specialists – at its First International Forum.

On the agenda? A first-hand review of recent developments on French and European stock exchanges, and an in-depth look at the revolution that lies ahead.

Of course the Paris Bourse has already experienced its own revolution. Computer-assisted continuous trading is now up and running. French equity markets are booming, fueled by the dynamic Second Market and recent privatizations. The Paris financial futures market, MATIF, is now a serious rival to the LIFFE and the CBOT. Trading in stock options has just been launched, with index options soon to follow. And French brokerage houses will take on an entirely new dimension when they open their capital to new partners in 1988.

But the revolution is worldwide in scope: financial markets everywhere are on the move, with new jobs opening up and settlement and delivery procedures evolving rapidly, backed by state-of-the-art technologies.

These are just a few of the exciting new developments that will be in the spotlight at this first Forum.

Paris, January 7 & 8, 1988: a must for stock market professionals. With keynote presentations and round tables offering a springboard for debate. And a New Technologies Exhibit featuring the world's most sophisticated financial products and services. A rendez-vous not to be missed.

For more information, please contact the conference organizers: Marianne Huve-Allard or Anne Klotz - FINACTIS, 78, avenue Raymond Poincaré, 75116 PARIS. Tel. (33-1) 45 00 41 79. Telex: 620372.



COMPAGNIE DES AGENTS DE CHANCE
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1988

EMPLOYERS CAN no longer retire women at an earlier age than men. That is the main provision of the 1986 Sex Discrimination Act which came into operation on Saturday.

However, the act does not require employers operating company pension schemes to have a common age between the sexes at which the normal pension entitlement is achieved. They can still maintain an age differential between men and women – normally 65 for men and 60 for women.

That paradoxical situation reflects the piecemeal and separate manner in which employment conditions and pension conditions have been developed in the UK.

The central pillar in UK pension provision has been the system in the state scheme where by men qualify for the basic state pension and any additional pension at 65 and women at 60, with the right to defer payment for up to five years after those ages accruing extra pension entitlements.

Company pensions have tended to follow the state with regard to pension ages. The standard benefit is 1/60th of earnings at or near retirement for each year of service up to age 65 for men and 60 for women, with a maximum pension of two thirds of earnings.

Those pension ages were also often the retirement ages under a company's employment policy. A company would usually require women to retire at 60 and take a pension, while men could continue to 65. Entitled early retirement before those ages would be handled as redundancy.

It was this type of situation that brought about the act.

Helen Marshall, a dietitian employed by the Southampton and South West Hampshire Area Health Authority, had been allowed to continue working after 60 but was forced to retire before reaching 65, the age for



Norman Fowler: brushed aside fundamental change

men. She complained that her treatment was a breach of the Equal Treatment Directive and that was upheld by the European Court of Justice in February last year. The 1986 act was brought in to comply with the ruling and the logical solution would have been to require equal pension ages.

The subject of a common retirement age has been discussed for well over a decade by successive governments. It was recommended by the Parliamentary Select Committee on Social Security nearly five years ago. The committee's report favoured a common retirement age of 65 in the state scheme, with the reasonable assumption that company schemes would follow this lead.

However, the Government decided not to take the opportunity, afforded by the court decision, to bring about a common pension age. So now there is the paradoxical situation of two ages.

On the one hand there is the retirement age at which em-

ployees can be required by their employer to stop work. That has to be the same for men and women.

On the other hand there is also the pension age, the age at which employees qualify for normal pension, and that can be different for men and women.

Employers can make the two ages the same by having a common pension age. However, surveys and inquiries among leading pension consultants and consulting actuaries show that very few employers have done so.

Most employers have made the minimum changes necessary to their employment and pension arrangements to comply with the act, often by default, even though they are changing their pension arrangements in other respects to conform with the 1986 Social Security Act.

Thus, the pension ages still remain 65 for men and 60 for women in the majority of company schemes as well as in the State scheme. This in itself opens up a new series of discriminations.

When a woman reaches 60, she can now elect to continue working for any desired period up to 65. However, she also has the option of taking the basic State pension at 60. The only requirements to qualify for the pension are a sufficient contribution record and to have reached 60.

Alternatively, she can defer drawing the state pension until a later date at which time the basic pension will be enhanced but she stops paying National Insurance contributions, although her employer still pays.

Meanwhile, her male colleagues have to wait until 65 to draw the basic pension and still have to pay NI contributions.

A similar situation exists with company pensions. A woman may not be able to draw the pension until she actually stops

work but after 60 she will come under the late retirement provisions of the scheme, which mean no more contributions and an enhanced pension when she eventually retires.

In practice, most women have a lower period of employment than their male colleagues and thus a lower pension entitlement but a woman with a full, or near full, contribution will be better off.

The Labour Party and the TUC are committed to equalising the pension age at 60, when economic conditions allow the payment of the very high costs involved which are about £20m a year just for the basic state pension.

However, such enthusiasm for earlier retirement is not necessarily shared by employers. Where employers have introduced a common retirement age in their pension schemes, it is as often 65 as it is 60, with a few schemes having a common age of 65 or 63.

Not only are employers reluctant to lower the pension age for men from 65 because of the increased costs involved but many employees are wary that a lower pension age means employers can force them to retire earlier than they would like.

It is doubtful whether employers will accept that confusing situation for long.

The Government is introducing many radical changes into the UK pension framework next year but this most fundamental of changes, long overdue, was brushed aside by Mr Norman Fowler, the previous Social Security Secretary, in his famous review which led up to the 1986 Social Security Act.

The White Paper merely stated the Government would be considering further the whole question but there is no sign that this review has even started.

Employers urged to upgrade benefits of schemes

BY ERIC SHORT, PENSIONS CORRESPONDENT

THE NATIONAL Association of Pension Funds is producing a discussion paper on the pension environment which will come into being next year.

The document, to be published on November 17, will urge employers to upgrade the structure and benefits of their company pension schemes to meet the competition from the new-style personal pensions.

Under the 1986 Social Security Act, employees from next

April will have the right to opt out of their employer's pension scheme and make their own pension arrangements through a personal pension from a life company or other pension provider.

The association is concerned that employees will take advantage of their new freedom without giving due consideration to the final outcome of

their decision.

While not opposed to personal pensions as such, the association considers that company pension schemes are still the best means of providing pensions for the majority of employees.

In May this year it launched a publicity campaign, under the title "Can you really beat a pension that comes with your job?", with the aim of encouraging

employees to consider all facets of company and personal pension provision before making a decision.

However, the association is aware that company schemes do have certain disadvantages, particularly for employees leaving before retirement. It is concerned that employers will do nothing to rectify these disadvantages.

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UK NEWS

Flexible work deals strengthen unions

By Philip Bassett, Labour Editor

TRADE UNIONS may be able to resist employers' proposals for greater work flexibility or exact better concessions for changes in working practices precisely because of the bargaining opportunities flexibility offers.

That is one of the conclusions of a survey of the extent and impact of changes at work, focusing on flexibility proposals, carried out by the TGWU transport union and Northern College, the union educational body.

The survey acknowledges that it may appear very difficult in the current economic and political climate for unions to resist flexibility plans, but it suggests, unusually, that the employers' proposals themselves may allow unions to retain or even strengthen their bargaining positions.

Since many flexibility deals are, in reality, enabling provisions, the study says, "the process of implementation therefore leaves (open) the opportunity for the unions to regain some of the job control that, on paper, they appear to have lost."

New technology and just-in-time stock principles (buying stock as you need it, rather than storing long term supplies) may leave companies "very vulnerable" to industrial action, and the series of plant closures over recent years has concentrated production at efficient plants, giving workers there a better bargaining position.

The study also gives some significant figures on the way change in employment has hit trade union membership. It suggests, in particular, that after taking union mergers into account, the real decline in TGWU membership of 37 per cent in the period 1979-85 has been higher than the union has acknowledged.

The report, using extensive case studies and reported material, also acknowledges the impact on overall union strategies of the often controversial organisational policies adopted by the EETPU electricians' union.

It says that the events at News International's Wapping plant (where the EETPU agreed to do work traditionally done by the print unions) and other workplaces "should not be allowed to completely cloud our perception of the tactics pursued by the EETPU in one important respect, and that is the fact that the EETPU appears to have been in front of other unions in developing some sort of strategy for coping with change at work, however much we may disagree with that strategy."

CBI takes up the cudgels on electricity price rise

BY DAVID THOMAS

THE CONFEDERATION of British Industry is likely to tell Mr Cecil Parkinson, Energy Secretary, at a meeting today that it has the backing of the electricity supply industry for its plea to scrap the electricity price rises announced by the Government last week.

There was considerable agreement at a meeting between the CBI and electricity supply leaders last week that the argument advanced by the Government - that the increases are necessary to fund a new generation of power stations - could not be justified.

However, Mr Parkinson, who yesterday strongly re-stated the Government's defence of the 15 per cent increase over two years, with 8-9 per cent coming next April, appears unlikely to accept the CBI's case, thereby ensuring that the row will run on during this week.

Mr John Banham, CBI director general, will tell the Energy Secretary, that there is no need for an increase in the price paid by industry for electricity.

Mr Parkinson, speaking yesterday on BBC radio, reiterated the Government's argument that the increases were needed to replace old power stations. "There has been no provision made for their replacement," he said.

However, Lord Marshall, chairman of the Central Electricity Generating Board, and Sir Philip Jones, chairman of the Electricity Council, agreed at a meeting with Mr Banham and Sir David Nickson, CBI president, last Thursday that the new power station programme did not require price increases on the scale proposed.

The Electricity Council recently received a report from

consultants at Price Waterhouse which is understood to conclude that electricity prices would have to increase by about 20 per cent over five years to meet the industry's needs, including building its new stations.

Mr Parkinson insisted yesterday that it was the industry's responsibility to decide how the planned increases, which are averages across the whole country, should fall on individual groups of consumers. The Electricity Council is to meet later this month to give initial consideration to the implications of the price rises for specific tariffs.

At today's meeting with Mr Parkinson, the CBI will also receive an argument which has flared up several times in recent years about whether British industry pays more than its competitors abroad for energy.

Universities accused of hiring bias

UNIVERSITIES in Britain are today sharply criticised by their principal teachers' union for discriminating against women.

The Association of University Teachers has for the first time analysed by gender, official figures for recruitment, staffing,

pay and promotion in universities, and found "huge discrepancies".

Figures examined by the union for 1985 show that one in five of the academic staff recruited to universities were women, at a time when women comprised 42 per cent of univer-

sities undergraduates and 37 per cent of graduates.

Although the AUT acknowledges that the recruitment of full-time female staff has been rising steadily for the past 20 years, it says that 60 per cent of the women recruited in 1985, were research staff

Breakaway UDM asks British Coal for exclusive deal

BY OUR LABOUR EDITOR

BRITISH COAL is being pressed by the breakaway Union of Democratic Mineworkers to sign a single-union deal for its newest pit, Asfordby in Leicestershire.

Such a move by the corporation would, if agreed, mark the first complete exclusion from a pit of the National Union of Mineworkers.

UDM leaders in Nottinghamshire, the union's stronghold (although, even there, no mine is totally a UDM pit), will discuss Asfordby today and the union's national executive will consider it on Thursday.

Last week, British Coal transferred responsibility for the pit to its Nottinghamshire area, prompting speculation in the Leicestershire area of the NUM that the pit was being moved from its union area because the national NUM was refusing to accept flexible working arrangements.

In a circular to Leicester and south Derbyshire miners, the UDM makes clear its objective for sole recognition at the pit.

Mr John Liptrott, general secretary, says: "The aim of the UDM is to negotiate a single-union agreement at Asfordby mine. The bulk of the jobs will be for miners from pits current-

ly within the south Derbyshire section of the UDM."

An agreement on this basis for the pit, set to employ 1,200 miners and produce 3.5m tonnes of coal annually, would increase inter-union tensions between the NUM and the UDM. It would probably also be used by those NUM voices who are not against flexible working, as an argument in its favour, clearly indicating the possibility that the NUM may lose members to the UDM unless it modifies its stance. The UDM is prepared to accept flexible, six-day working at new mines.

The move by the UDM - an illustration of the sharp competition among unions now - is angering the NUM.

Mr Jack Jones, Leicester NUM area secretary, attacked the UDM's single-union proposal as a further example of the UDM being a "gaffer's union" (one favourable to management) and compared it with recent controversial single-union deals signed by the AEU engineering workers at Nissan in the north-east and at Ford's proposed electronics plant.

Mr Jones, a moderate among NUM leaders, described the corporation's decision as "shocking".

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Left unions in talks on closer co-operation

By Our Labour Editor

LEADERS of the TGWU transport workers' union are in informal talks with a number of other unions, including the National Union of Mineworkers, about closer working relations in the future.

Although the discussions are only at an early stage, they do raise the possibility of left-wing unions drawing more closely together, even though none of the participants are talking in terms of outright mergers.

Mr Ron Todd, general secretary of the TGWU confirmed yesterday that he had held private talks with Mr Arthur Scargill, NUM president, about future working relations as part of a series of discussions.

Mr Todd said: "There have been exploratory discussions. I have had informal talks with Mr Scargill about better working relationships and how we see the future of the trade union movement."

But he denied that the discussions with the NUM were part of a plan to write off the money - estimated at about £1.6m - loaned by the TGWU to NUM areas during the 1984-85 miners' strike to help with hardship and other problems.

Transport union leaders are making it clear that they are not talking about any transfer of organisations by the NUM to the TGWU - with some 100,000 members, the NUM would swell the TGWU's ranks considerably and open the way for other mergers. But one TGWU leader said of the NUM: "If ever they get into a situation where, for whatever reason, they can't stand alone I think we would be the favourite in any merger competition."

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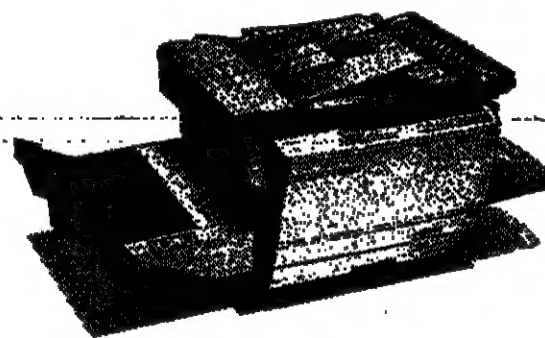
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*Nihon Keizai Shimbun (Japan Economic Daily)

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UK NEWS

Thomson Holidays cuts brochure prices by £18m

By David Churchill, Leisure Industries Correspondent

THOMSON Holidays, Britain's biggest package tour operator, yesterday opened a price war in the travel trade with wide-ranging price cuts amounting to £18m off next summer's holidays.

The move, only a month after Thomson announced its brochure prices for next summer, came as a surprise to delegates at the annual conference of the Association of British Travel Agents meeting in Innsbruck, Austria, yesterday.

Thomson has decided to cut prices - by up to £45 a person - on about 1m holidays for next summer. That is about a third of the holidays it has on offer and effectively pegs prices to this summer's levels.

Thomson's decision followed sluggish sales of next summer's holidays in recent weeks as a result of low prices offered by its main competitor, Intasun, part of the International Leisure Group.

Mr Charles Newbold, Thomson Holidays' managing director, said in Innsbruck yesterday: "We have not lost our nerve but as market leader we cannot afford to back out of a price war."

Thorn EMI to pull out of video venture

By Terry Dodsworth, Industrial Editor

THORN EMI, the UK industrial and television rental group, is to sever its last links with the consumer electronics manufacturing industry by pulling out of the joint video cassette production venture formed with JVC of Japan and Thomson of France.

Thorn's decision to sell its holding in the collaborative project, known as JET, follows the disposal of its Ferguson television manufacturing subsidiary to Thomson three months ago. Almost all television and video cassette production in the UK is now in the hands of manufacturers from Japan or Western Europe.

Thorn, once one of the leading British producers in consumer electronics, has altered emphasis over the last 18 months, concentrating on its more profitable television rental, defence equipment and lighting products.

It is negotiating to place its 33 per cent holding in JET with its

profitability of the whole travel trade.

The result of the price war has been to force a number of small operators out of business as well as leading to a realignment among the large operators.

The Bass Group, for example, bought Horizon Travel this year and subsequently acquired the Wings group from the Bank of England. Last month British Airways decided to merge its loss-making travel subsidiary, BA Holidays, with the fast-growing Sunmex operation.

Delegates at the Abta conference yesterday feared the latest round of Thomson price cuts might result in a new round of mergers and bankruptcies among tour operators. However, some delegates hope other tour operators will not overreact to the Thomson move by cutting their prices even further.

Mr Jack Smith, Abta president, said last night: "I don't think consumers or the industry want a return to bargain-basement prices. I hope we don't return to a position where holidays are sold below their cost."

Japanese banks 'gained most' from Big Bang

By David Lasecalle

UK CORPORATE treasurers expect Japanese securities houses and banks to be the main beneficiaries of the changes brought about in the City by last year's Big Bang. They also expect the Japanese to be the main agents

These are the main conclusions of a survey conducted by Greenwich Associates, the US consultants specialising in the financial services industry. While it reinforces the belief of Japanese ascendancy in the City, it also pinpointed an ambivalence among corporate treasurers about the virtues of dealing with Japanese institutions.

When asked which type of bank they prefer to use in the future, they ranked Japanese banks and securities houses the lowest.

United Kingdom Corporate Finance 1987, Greenwich Associates, Office Park Eight, Greenwich, Connecticut 06830. Tel (203) 629 1200.

Food fair shows trend for Mexican fast food

By David Churchill

MEXICAN FOOD is poised to become the latest fashionable style of cuisine among Britons, weary of burgers, pizzas, and hot dogs.

Eating out has become one of the most popular leisure pursuits of the 1980s. However, catering companies are becoming increasingly aware that consumers are seeking new types of restaurants.

Mr Richard Nichols, marketing director of La Mexicana Quality Foods, a manufacturer of Mexican foods, says: "Mexican food has been the fastest growing sector of the US food industry for some years and now the UK is following this trend as more and more Mexican restaurants begin to open."

The company's customers include Taco Bell - among the first of the UK's Mexican fast-food restaurants - Barro's, and several hotel chains. La Mexicana is also one of the first-time exhibitors at this year's Food Fair, which opens today at the Metropole Hotel, Brighton. Several of the other first-time companies at the fair are also exhibiting Mexican foodstuffs.

The event has an important role in shaping what consumers eat in the catering industries which are worth £200m a year. Mr Short Johnson, exhibition manager of the fair, says: "Visitors to the fair are typically key management responsible for creating trends in the popular catering and restaurant industries."

With over 17,000 visitors of this calibre expected this week, it is almost guaranteed that the Mexican food trend emerging this year is about to hit the high streets throughout the UK.

Interest in Mexican foods has encouraged the catering chains - especially brewpubs such as Wathead and Allied Cross - to include Mexican food in new restaurants with themes aimed at young people.

For example, the Mexican Beer Import Company says the number of Mexican restaurants supplied over the past year has doubled. It expects the rate of growth of new outlets to be even faster this year.

The trend is already filtering through to other, less likely, outlets. The franchised Olivers bakery and coffee-shop chain recently started selling hot baked pastries with chilli con carne fillings and has found the dish to be popular.

The catering trade sees several key reasons for the growth in popularity of Mexican food. One important factor is the willingness of young people to experiment with new foods.

La Mexicana's Mr Nichols says: "I feel that other ethnic fast foods have passed their peak in terms of public interest and there is a definite demand for a new product."

Others in the trade believe Mexican food has important facets. Mr David Maguire, managing director of the Mexican Beer Import Company, says: "Mexican is the fast food of the future because it is cheap, simple, healthy and fun."

"The basic ingredients are cheap, resulting in an inexpensive meal, and the cooking processes are healthy - an important factor in today's fast food business," he adds.

However, most catering operators are well aware that fashion still plays an important part in determining the success or failure of new trends in eating. While tequila is Mexico's most famous drink, "in-the-know" young people who eat in Mexican restaurants apparently drink Tecate - a lager designed to drink Mexican-style with salt and a slice of lime.

UK space funding expected to stay grounded at £85m

By Peter Marsh on the spending row among scientists

BRITAIN'S scientific and technical community is looking forward with a mixture of emotions to this week's expected confirmation of the Government's refusal to increase its spending on European space programmes.

Mr Kenneth Clarke, the Trade and Industry Minister, will be in The Hague, the Netherlands, today and tomorrow for a special meeting of the 12-nation European Space Agency (ESA), at which he is unlikely to agree to any rise in Britain's ESA contribution of about £85m a year.

Ministers have examined space funding after a plea for more cash from the British National Space Centre, set up in November 1985. Indications that no more money would be forthcoming led to the resignation in the summer of Mr Roy Collins, the centre's director. Mr Clarke has in recent weeks called ESA a "tongue-tied club" with over-ambitious programmes.

Mr Graham Hills, principal of Strathclyde University and a member of the government's Advisory Council on Science and Technology (Acost), said he was not convinced by the arguments for increasing space spending. He would resist the idea that because other governments spend heavily on space research and technology, Britain should necessarily do the same.

Mr Hills said a lot of the spending on space technology in the past was "soft money" paid out on the basis that space activities seemed like a good area in which to invest but with no one having proved the case.

Professor Stan Metcalfe, an economist at Manchester University, who is another Acost member, said he did not think a decision to limit space spending was "terribly bad" from the UK's point of view. The right time for increasing space funding might be a decade or so away when more areas of space technology would be ripe for commercialisation.

He said: "I don't agree with the idea that decisions of this sort are irreversible." He added that it would in theory be perfectly feasible to build up future generations of space engineers to exploit technical advances, long after today's space experts had retired.

Professor Keith Pavitt, of the Science Policy Research Unit at Sussex University, said he had some sympathy with the Government's view that the private sector should do more to invest in space technology instead of receiving most of the funding to governments.

However, he did not like the inference from Mr Clarke that

the Paris-based ESA was out of control. He added that the agency had a generally good record in particular in its development of the Ariane rocket, which had turned out to be a commercial success.

"ESA might be a bureaucracy, but I would submit that there are some British bureaucracies, the Defence Ministry for example, which are worse," he said.

According to Mr Nick Segal, a consultant specialising in high-technology developments, the arguments over space funding illustrate "the lack of an orderly or rational way in Britain of reaching judgments over science funding."

He said he was disturbed by some aspects of Mr Clarke's comments in recent weeks which seemed to be reducing the debate to "knockabout politics."

Mr Segal believes the case for injecting more cash into space research might not have been examined thoroughly enough. The government's line, he said, appeared to be to be derived from its general wish to make firmer, more centralised decisions over science policy matters in general.

The Government has appeared to want aggressively to challenge what it has regarded as a comfortable and complacent scientific community. The space lobby happens to have been unlucky in that its case (for more money) has come up before anyone else," he said.

Mr Michael Marshall, a Conservative MP and former secretary of the House of Commons, said he was concerned that the Government was taking a short-term view over space. He said a refusal to put up appropriate funds now could harm industry's ability to compete in space technology for 15 to 20 years.

Mr Philip Hughes, chairman of Logica, a leading software company which is heavily involved in the space industry, said he was "in despair" at ministers' attitude.

He said the Government ought to be investing in space because it was sensible to build up a potentially important part of the UK economy, rather than treating the issue of space funding as a research and development grant to UK industry.

Business political gifts up to £2.2m, Labour reports

By Peter Riddell, Political Editor

BRITISH COMPANIES last year made political donations totalling over £2.2m, according to a survey of 1,500 annual reports by the Labour Party research department.

The survey covers financial years ending in the course of 1986 and therefore excludes donations made during the run-up to last June's general election. Those were undoubtedly larger than in 1985.

Roughly a sixth, or 233, of the quoted companies surveyed made donations for political purposes. Contributions made by private companies and private donations are not taken into account.

Over 90 per cent of the total of donations - over £2m - were

made to the Conservative Party, or sympathetic fund-raising organisations such as British United Industrialists and regional industrial councils.

The Labour survey identifies 10 donations of more than £40,000, totalling £236,000, which it says is "an indication of the extent the Tories are beholden to the directors of a small number of major public companies."

By contrast, the two Alliance parties received just over £87,000 from 18 companies. Around £80,000 went to the free-enterprise group, the Ecos League and the Centre for Policy Alternatives.

"Company Donations", Labour Party Policy Directorate, number 77, October 1987. Price £1.

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9 November, 1987

Fall in growth of productivity at British Coal

BY MAURICE SAMUELSON

A SLOWDOWN in productivity improvements at British Coal is causing disquiet in government circles as the industry continues its uphill efforts to break even in the next financial year.

Efficiency is still rising but in the past few weeks it has done so at little more than half the rate achieved in the same period a year ago.

This has coincided with the National Union of Mineworkers' overtime ban but, since the ban has had only a limited effect, as yet unexplained, factors are thought to have caused the slowdown.

The latest trends have emerged too late to be reflected in the half-year results, which British Coal chairman Robert Haslam is due to announce in London on Wednesday. He is expected to announce that productivity, at 3.6 tonnes a man a shift, was 15 per cent higher than in the same period last year.

However, in the four weeks ending October 24, productivity improved only slightly from 14.3 per cent to 13 per cent against the same period of 1986.

For the industry to break even, output will have to reach about four tonnes a man a shift, and then climb to five or six tonnes for long-term financial viability to be assured.

At British Coal, the view of the latest figures is somewhat less despondent than that heard

in Whitehall. Industry officials insist that the overtime ban is the main culprit and point out that even a 13 per cent improvement a year ago by Sir Robert when he said that a 10 per cent rise would be satisfactory.

Nevertheless, the chairman is likely this week to stress the industry's difficulties as much as its achievements.

British Coal is particularly worried at the large amounts of cheap coal on the international markets and the increased bargaining power that gives to its biggest customer, the Central Electricity Generating Board.

International coal prices are quoted in dollars and that, with the latest fall in the sterling value of the dollar, further increases British Coal's vulnerability.

Mr Ken Moses, British Coal's technical director, sounded a bleak warning at the weekend when he said the coal industry might disappear, like Britain's motorcycle manufacturers, if it failed in its bid to become a high-volume, low-cost supplier.

He told a Blackpool conference of Nacoda, the colliery officials' union: "We can either go the way of the motorcycle industry and disappear or we can emulate the car makers and the textile industry and further cut our costs to meet the demands of the market on quality, availability and price."

Philip Stephens on a sanguine view of prospects for the economy

A burst of optimism in the City

IT PROBABLY had as much to do with self-preservation as forecasting, but the reaction of City economists to the turmoil in financial markets last week was a burst of optimism over Britain's economic outlook.

The surprising consensus was that the Treasury's assessment in the Autumn Statement on prospects for 1988 erred, if anything, on the side of caution.

As a rising pound and sliding stock market pushed the Government into another half-point cut in base rates to 9 per cent, the view in the City was that there were at least two more similar cuts to come.

It is not often that the young men who write brokers' circulars are more optimistic than the Treasury on the outlook for inflation. But last week virtually all were agreed that the official view that retail prices will rise at an annual rate of 4½ per cent at the end of 1988 appeared too pessimistic.

The forecast by Mr Nigel Lawson, the Chancellor, of a 2½ per cent rise in output next year was seen as plausible if fractionally on the high side. However, there was little quarrel with Whitehall optimism over the outlook for public spending and borrowing.

The statement surprised the City by carrying forward his forecast of a £10m public-sector borrowing requirement in the current 1987-88 financial year as an assumption for 1988-89.

but no one doubted that it still left room for sizeable tax cuts. The Chancellor made clear also that next year's target could be pushed back up towards 2½m if growth turned out to be weaker than he expected.

The Treasury's chief forecasters have put a series of deliberate obstacles in the way of any objective assessment of their projections. Many of the key assumptions have, apparently, been declared official secrets.

Thus, it is impossible to tell whether the projections for inflation and exports are based on an exchange rate against the dollar closer to the \$1.60 of a few weeks ago, or to the \$1.74 on the day of the statement.

The assumption on the likely level of world stock markets is equally vague, while there is no discussion at all about the expected level of interest rates.

However, it is clearly the Treasury's view that the collapse of world stock markets will have only a limited impact on demand in the economy next year, perhaps reducing the overall growth rate by between ¼ and ½ percentage point.

Consumer spending is expected to remain buoyant, growing by 4 per cent in real terms in 1988, with only a slight increase in personal-sector savings. Manufacturing investment is forecast to accelerate, influenced more by recent strong growth in output and in industrial profits

than by any slowdown in the world economy.

Inexplicably, world trade is expected to be virtually immune to the equity price slump, expanding faster in 1988 than in 1987.

That latter projection is at the centre of one of the few doubts that surfaced last week over the credibility of the Treasury's assessment. It is difficult to reconcile a forecast that world trade in manufactured goods will rise by 4 per cent next year with the view that output in the seven leading industrial countries will increase by only 2 per cent. If the assumption that domestic demand in Britain's economy will continue to rise strongly proves right and if sterling holds its gains against a weakening dollar, then the current account might look significantly weaker.

Economists at both Credit Suisse First Boston and at Goldman Sachs, for example, believe the official projection of a 3½m deficit in 1988 is likely to prove over-optimistic.

However, such concerns were not enough to dampen expectations of further cuts in interest rates. In the minds of most City economists, a fall in base rates to 8 per cent in the next few months is already discounted. The real optimists are looking for an even steeper reduction.

Mr Lawson's hurried move to lower rates last Wednesday does suggest that restoring sta-

bility on financial markets is now at the top of the list of priorities. As one City observer remarked last week, the Chancellor appears to have replaced a broad money policy with a broad equity policy.

His re-affirmed commitment to limit any further gains for sterling and, above all, to hold it below DM3, reinforced the optimism over borrowing costs.

Privately, Whitehall officials concede that if stock markets continue to decline and sterling goes on rising, then Mr Lawson will move to cut rates again. But official enthusiasm for getting borrowing costs down to 8 per cent is far less obvious than that of City economists.

Mr Lawson's upbeat comments on the prospects for a new agreement on co-ordinated international interest rate cuts, if and when the US secures a credible reduction in its budget deficit, are based as much upon hope as inside knowledge.

The mood among senior policy makers in West Germany last week after the US decision to begin talking down the dollar again, was far from co-operative.

The Bank of England has not forgotten that a succession of cuts in interest rates has been followed by a sudden loss of confidence in financial markets - and while rates tend to fall in ¼ point stages they tend to go up again in jumps of 2 points.

Building activity 'showing little sign of slackening'

BY ANDREW TAYLOR

THE RESURGENCE in the UK construction industry, which is now enjoying its best period since the building boom of the early 1970s, shows little sign yet of slackening, according to two workload surveys conducted this autumn by quantity surveyors and civil engineers.

Order books of quantity surveyors, like those of architects, provide an important early warning of future workloads for the rest of the construction industry.

According to the Royal Institution of Chartered Surveyors, order books of quantity surveyors in the three months to the end of September were 7.4 per cent higher than in the previous three months and 24 per cent higher than at the same stage a year ago.

The Federation of Civil Engineers, which has also published its latest work load survey, says the number of companies reporting increases in orders has continued to rise.

Its survey, conducted in October, is welcomed by civil engineers as reinforcing the optimism expressed by many contractors about future prospects.

For a growing number of companies, especially among those in the larger categories,

future prospects now seem much rosier compared with one year and even six months ago. Such optimism is supported by a fall in the numbers of companies anticipating a downward trend in orders for new work.

The office building and refurbishment market in London and south east England and the retail sector, particularly out-of-town shopping centres, have been among the biggest growth markets.

The construction industry will now be waiting to see what impact the recent sharp fall in share prices, together with the shake-out in employment among financial services companies, may have on order prospects.

Architects in the City of London, which might be expected to feel the first effects of a cut in investment, say there is no sign yet of financial services groups curtailing office expansion and refurbishment plans.

The general impression is that if there is going to be a cut in investment, it is unlikely to emerge immediately, given that space in the City is generally regarded as being in short supply and that most companies will wait to see if there are any further signs of a recovery before taking a decision on investment plans.

Council plans to fund £2m cinema

BY RALPH ATKINS

A COMPLEX finance deal, displaying creativity most film producers would be proud of, might pay for the construction of a cinema in the heart of the London Borough of Greenwich.

Councillors in the Labour-controlled authority will be asked tomorrow to give planning permission for a £2m cinema with three screens and 800 seats. If it goes ahead, it will probably break new ground in creative accounting by local authorities.

The financing is designed to sidestep government restrictions on capital spending. But, with the burden on the council's annual budget likely to be negligible, it will probably win support from the Department of the Environment and opposition parties.

The cinema is part of the Burrey Street project, close to Greenwich's most famous landmark, the Cutty Sark. It is the final stage of a development comprising an hotel, sheltered housing and an antiques market.

The deal involves a tangle of agreements between the council, a builder, a bank and Film Network, a private cinema operator. The result will be to bring a cinema to a prime commercial site when most operators are moving to cheaper out-of-town locations.

Greenwich Council, which owns the land, will employ a developer to build the cinema. On completion, expected early in 1989, it will be leased for 20 years to a City bank for a sum that will cover construction costs.

The council will make payments to the bank for the period of the lease and take ownership when it expires. But its outgoings will be offset by the rent it charges for operating the cinema.

Film Network, a two-year-old company run by film entrepreneurs Mr Alistair Gregory and Mr Simon Perry, will pay a basic rent plus a percentage of its profits. The company is also putting up £250,000 towards construction costs of the complex.

The organisers believe it is a responsible scheme with benefits all round. "It is not an example of selling off the town hall to pay to empty the dustbins next week," said Mr Gregory.

If successful, the council might make a profit on the deal. Moreover, after 20 years it will have a capital asset with a silent paying a market rent, but there will be no capital expenditure in the council's accounts.

Film Network plans to offer adventurous programming, including experimental films as well as box-office hits. It will also offer educational and minority-interest films, subsidised by a trust set up by the council.

The complex will include a cafe and exhibition space, allowing for example, the audience for Superman IV to admire watercolours or oils before and after performances.

Film Network is a sister company to Umbrella Films, whose productions include the film of Orwell's 1984. Its next production, due for release next February, is entitled, appropriately, White Mischief.

Tin judgment reserved

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE LAW Lords have reserved judgment on the case in which they have been asked to decide whether documents emanating from the International Tin Council can be used as evidence in the tin crisis litigation.

The ITC contends that not only its documents, but copies of them and information derived from them belong to its official archives and are therefore protected from disclosure without its consent.

That is contested by two tin traders, F. H. Rayner (Minesing Lane) and MacLaine Watson, and the London Metal Exchange, which want to use ITC material as evidence in an action brought against them by two Shearson Lehman companies.

The issue, which affects other

parts of the tin litigation and has implications for other international organisations which, like the ITC, have a presence in the UK, came before the Law Lords on appeal from the Court of Appeal in July.

The Appeal Court held that documents retained in the ITC's archives were protected from disclosure, as were copies of such documents made without the ITC's consent, and secondary evidence and information derived from them.

The Appeal Court said, however, that documents lost their inviolability when distributed by the ITC to its members - the UK, 22 other states and the European Community.

The Law Lords' ruling is likely to be given in four to six weeks.

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Yes, the money men are most appreciative of the 5 Series' habit of holding its price.

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But alas, they are not fond of adding extras to meet individual tastes.

Ever keen to keep everyone happy, BMW have now introduced their Lux models. High specification versions of three popular five series saloons.

There's the four cylinder, 1.8 litre 518i Lux at

£12,395, the six cylinder 2 litre 520i Lux at £14,590 and the £16,285 525e Lux. A 2.7 litre that's electronically managed for efficiency.

In addition to their customary tinted glass, central locking and electric front windows, all three meet the demands made above.

And meet them handsomely.

No ordinary alloy wheels these, but the wide profile cross spoke variety.

No run-of-the-mill leather wheel, but a glove-soft, hand stitched version.

No plastic pop up sunroof, but a sliding one, engineered in steel.

And so it is with all the extra items that BMW have chosen to add. As you will see, if you add your name to the coupon.

Please send me details of:
 BMW 518i Lux ☐ BMW 520i Lux ☐ BMW 525e Lux ☐
 BMW 5 Series Range ☐

(Mr, Mrs, Miss, etc.) Surname

Address

(Town/City) (County)

(Postcode) (Telephone Number)

Present Car

Year of Registration Age if under 18

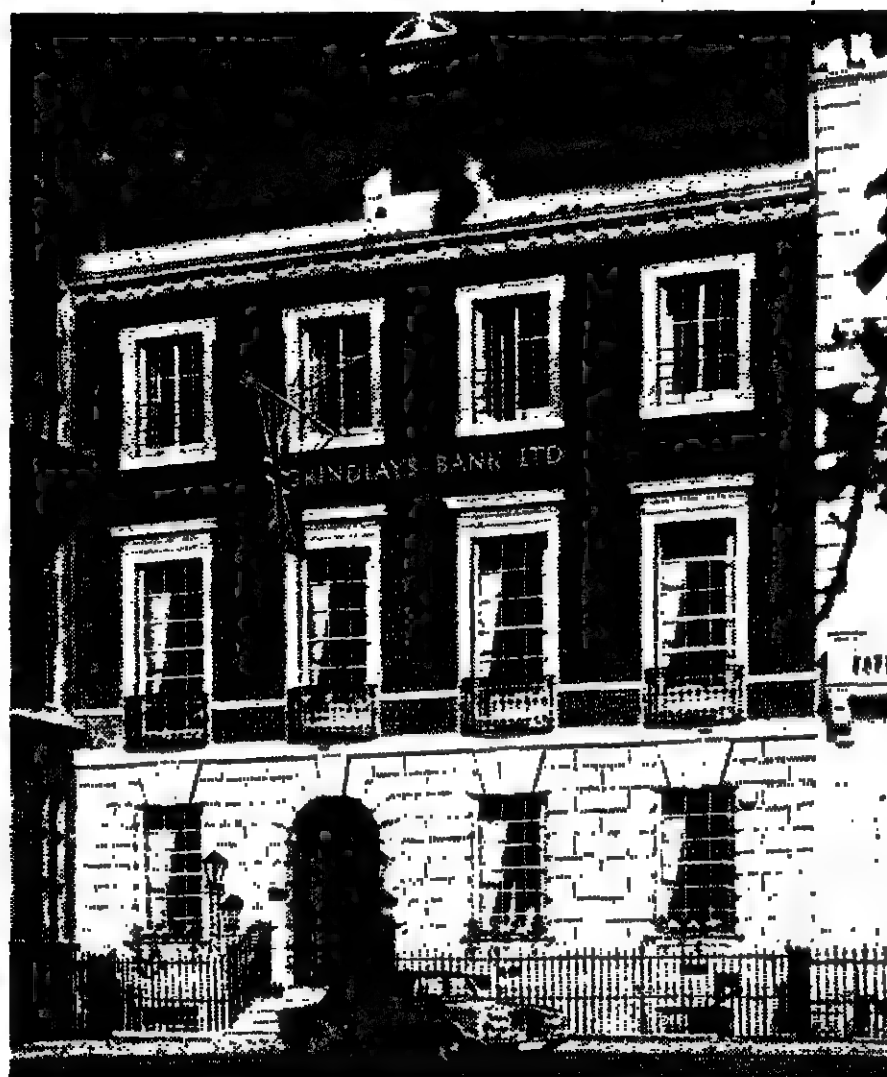
I would like to arrange a test drive ☐ (Tick Box)

Send to BMW Information Service, PO Box 46,
 Hounslow, Middx. TW4 6NF. Tel: 01-897 6665.

THE ULTIMATE DRIVING MACHINE

DOT FUEL CONSUMPTION FIGURES FOR THE BMW 525e, URBAN: 25.0MPG (11.3l/100KM), 56MPH; 47.1MPG (6.0l/100KM), 75MPH; 37.7MPG (7.5l/100KM). PRICES CORRECT AT TIME OF GOING TO PRESS INCLUDE CAR TAX + VAT BUT NOT DELIVERY OR NUMBER PLATES. INCLUSIVE DELIVERY CHARGE, INCORPORATING BMW EMERGENCY SERVICE AND INITIAL SERVICES, £233 + VAT. FOR INFORMATION ON THE 5 SERIES LUX RANGE OR ON THE 5 SERIES PLEASE FILL IN THE COUPON OR TELEPHONE 01-897 6665 (LITERATURE REQUESTS ONLY). FOR TAX FREE SALES TEL: 01-829 9277.

The significance of 13 St. James's Sq. in turbulent times.



As the home of Grindlays Bank in London, 13 St. James's Square could be worth bearing in mind if you have substantial sums to protect during the current upheavals in financial markets.

The Grindlays ethos of total security and privacy offers a reassuring alternative to the markets' capriciousness. Whether your plan is for long or short-term deposits, Grindlays gives you immediate access to 150 years of international banking expertise marked by highly personal service.

The depth of our approach is complemented by the strength of our resources. In addition to paid-up capital and reserves of some £700 million, Grindlays is a member of the Australia

and New Zealand Banking Group, one of the world's top 100 banks with assets of well over £25 billion.

If recent experience inclines you to discuss your needs in confidence with experienced professionals, why not ring Peter Hand or Ian McPherson on 01-930 4611?

It should prove a lot more rewarding than trying to ride out the storm on your own.

Grindlays Bank p.l.c.

Member ANZ Group

13 St James's Square, London SW1Y 4LF

The Care and Protection of Private Capital – Internationally



Nine-floor City office

Contracts totalling over £23m for a hospital extension in North London and an office building in the City have been awarded to KYLE STEWART.

Work has started on a £12.5m contract to construct a nine-floor office building at Aldermanbury Square in the City of London, for Herodotus City Investments. The steel-frame structure will be clad in French limestone, polished granite and tinted glass. Due for completion in early 1989, work on the 67,400 sq.ft. office involves temporary works to brace a deep excavation down to 30 ft below ground level.

At Whittington Hospital, Highgate Hill, a £10.5m project is to start soon involving construction of St Mary's wing, containing operating theatres, recovery wards and communal facilities. Completion is due in three years.

Industrial complex

WILLET, a Trafalgar House company, has been awarded three projects worth £15m in the south of England. The largest, worth £7m, is a high-technology office complex at Waterside Park, near Bracknell, for Waterside Park Ltd., a joint venture between London and Edinburgh Trust and Tarmac Properties. In a parkland setting a development will be constructed to provide regional offices, a customer event centre, a research facility and a service centre for ICL. At the Farm, Stevenage, Willet has commenced a £2.5m shopping complex for Goldquill which comprises a steel-framed superstore and shop units. The piled foundations will be constructed by Trafalgar House associate Cementation Piling and Foundations. Willet is also constructing a £2.2m 140,000 sq ft single-storey steel-framed warehouse for Trafalgar House Industrial Developments at Easton, Essex. The facility will be a storage and distribution centre for CR8 and will comprise two-storey integral offices, eight dock-lifting devices and a ferry port.

CONSTRUCTION CONTRACTS

£14m batch for Tarmac

Projects worth more than £14m have been awarded to TARMAC CONSTRUCTION. Three of the largest are for factory buildings at Trowbridge, Wiltshire, for Nestlé (£4m); warehouse extensions at Nuneston, Warwickshire, for Foster Brothers (£2m); and a two-storey catering complex at Pease Pottage, West Sussex, for Trusthouse Forte (£2.3m).

In the north-west the company has contracts for extensions to shopping units at Poulton-le-Fylde, Lancashire, for Gladstone Management Services (£225,000), and two contracts from Mersey Regional Health Authority for designing and building ambulance stations at Bootle (£492,000) and Fazakerley (£274,000).

Two projects have been awarded to Tarmac Construction. They are for refurbishing a hangar for Birmingham International Airport (£495,000), and alterations and extensions to the Kings Head public house, Wellesbourne, Warwickshire, for East Midlands and Butlers (£415,000). Contracts totalling £4.9m have been awarded to the contract housing division.

Mixed bag for Longley

JAMES LONGLEY & CO has won £15m worth of contracts including a £3.5m 57,000 sq ft factory extension in Portsmouth, Hants, and a £5.5m aircraft hangar for Dan Air at Gatwick Airport. These gains are additional to the £24m of new contracts announced last month.

At Eton College a two-phase alterations and refurbishment programme for the existing science block will provide language laboratories and an audio visual cinema. Under a £420,000 contract for the Historic Building and Monument Commission repairs and modifications are to be made to Battle Abbey Great Gatehouse exhibition and museum rooms.

The project for the Queen Alexandra Hospital Home for disabled ex-servicemen in Worthing, Sussex, involves the construction of a £900,000 60-bed dormitory annexe and auxiliary facilities. At the Royal Hospital & Home, Putney, London SW15, the £1.8m second phase of a major refurbishment contract will result in full modernisation of the original hospital building while it remains in continuous use.

Two Surrey projects include a three-storey retail and office scheme in Sutton, to be designed and built by Longley for Marshall's Charity, and refurbishment of Bosham Pharma-

Japanese Gallery at British Museum

WILTSHIRE CONSTRUCTION has won contracts worth more than £1m in London.

Largest is the £3.6m Japanese Gallery at the British Museum, due to start this month and to open to the public at the end of 1989.

At Moscon Road, W2, work has started on a five-storey block of flats with basement car park under a £2.5m contract for Rosehaugh Co-Partnership Developments.

For Regalian Developments, work has begun on a £2m refurbishment, conversion and im-

provement of 78 flats in a ten-storey block at Charterhouse Square, ECL.

At Park Place, SW1, the company is to build a £1.1m six-storey office block behind an existing facade for Laing Estates, while at Holland Park, W11, it is converting a building into flats for IDC Property Investments for £1.1m.

Work has started on an £800,000 contract to refurbish four floors of offices in Long Acre, Covent Garden, for Central Land Investments.

North Carolina offices

TRIBLE HARRIS LI INC (THLI) has won a \$1.6m (\$214,285) design contract for a new 250,000 sq ft office complex in the Carnegie Center Office Park, Charlotte, North Carolina, US. The 'Rotunda' building will include parking for 800 cars, and feature a series of 50 waterfalls along the 600 ft front wall. When completed in Autumn last year, tenants will include the developers, the Bissell com-

pany, who will be taking space for its new headquarters. The contract is the third in the 90-acre park to be awarded to THLI, who designed the first two phases.

Two of the larger contracts are in Portsmouth. One, valued at £2.37m, calls for mechanical, electrical and plumbing services to be installed in the new Cascades Shopping Centre. The second worth £3.2m, is for mechanical and electrical installations in a new operating theatre and imaging block at St Mary's Hospital.

In Cambuslang, modernisation of 194 houses is to be undertaken at a cost of £3.28m under a contract awarded by the City of Glasgow District Council.

Design and installation of the mechanical, electrical and plumbing services worth £1.35m are to be undertaken for Granada Studio Four's new tourist attraction at Castlefield, Manchester. Mechanical and electrical work valued at £1.35m is to be carried out at the Data Processing Centre in Werne, Technology Park, Liverpool. Other projects total £1.2m.

DRAKE & SCULL ENGINEERING (a Simon Engineering company) has secured contracts valued at £15m for building engineering services in the UK.

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BRITISH-BORNEO PETROLEUM SYNDICATE, P.L.C.

INTERIM REPORT FOR THE HALF YEAR TO 30TH SEPTEMBER 1987

At a meeting of the Board of Directors held today it was resolved to pay an interim dividend of 7.5p (1986/87 - 7.0p) per stock unit. The U.K. tax credit on this dividend amounts to 2.774p per stock unit (1986/87 - 2.5880p).

The dividend will be paid on 18th December 1987 to stockholders registered at the close of business on 15th November 1987.

The unaudited results, based on historic costs, for the half year to 30th September 1987 are as follows:

	Half year to 30th September 1987	Half year to 30th September 1986	Year to 31st March 1987
Income from Investments	£681,185	£590,708	£1,204,011
Profit on dealing activities	436,856	55,241	1,024,082
Deposit interest and other income	118,212	76,481	167,552
Oil and Gas Production Income	4,534	1,821	40,469
(Loss)/Profit on Currency Conversions	(12,466)	4,274	(7,561)
Profit on sale of U.S. Gas Plant	-	-	12,042
	1,428,271	988,025	2,560,785
Administration Expenses	(72,551)	(68,843)	(174,296)
Amount written off U.S. Oil and Gas Interests	(48,439)	(16,616)	(62,890)
Interest Payable	-	(10,425)	(10,425)
Exploration Expenditure in Canada	(1,976)	(1,420)	(2,763)
	(122,966)	(97,304)	(250,374)
Profit on ordinary activities before taxation	1,305,305	890,721	2,310,410
Profit on ordinary activities after taxation	(406,933)	(364,432)	(759,785)
Distributable Profit	899,372	626,289	1,550,625
Dividends	(387,500)	(315,000)	(1,012,500)
	£511,872	£311,289	£538,125
Earnings per Stock Unit	13.9p	13.9p	34.4p

The profits for the half-year are well ahead of the corresponding half-year but in the current unsettled situation of the stock markets, it is not possible to express the likely outcome for the full year. However, the Directors anticipate that they will, at least, be able to maintain the annual dividend.

The Directors decided to write down the remaining book value of U.S. Oil and Gas Interests to a nominal amount in view of the low level of current income and uncertain prospects in the U.S.A.

Profit on dealing activities in the half-year to 30th September 1987 includes unrealised losses of £57,860 (half-year to 30.9.86 - £48,600).

The activities of the Group continue to be in investment holding and dealing, and also in oil and gas production in the U.S.A.

Net Assets of the Company and its Subsidiaries at 30th September and 31st March 1987, were as follows:

	30th September 1987	31st March 1987
Fixed Assets	(Unaudited)	(Audited)
Tangible Assets		
Oil and Gas Interests	£3	£48,441
Quoted Investments held by Subsidiary	£45,589	£51,976
	£45,592	£100,417
Current Assets		
Quoted Investments	2,556,075	1,510,217
Unquoted Investments	74,250	74,250
Debtors	15,136	130,415
Cash at bank	2,163,287	2,894,291
	4,808,728	4,609,173
Creditors (falling due within one year)	967,194	1,177,950
Net Current Assets	£3,841,534	£3,431,223
	£4,287,126	£3,871,640

The market value of the quoted investments shown above, under fixed assets and current assets, was £31,028,047 at 30th September 1987 and £26,681,225 at 31st March 1987 showing an unrealised appreciation of £28,826,373 and £24,469,062 respectively.

The above financial information does not amount to full accounts within the meaning of the Companies Act 1985. The results for the year to 31st March 1987 have been extracted from the full accounts which received an unqualified auditors' report and have been filed with the Registrar of Companies.

Copies of this Announcement are being sent to all stockholders and copies may be obtained from the Secretaries at the Registered Office.

Registered Office:
Fenbrook House,
60 City Road,
London, EC1Y 6AD

By Order of the Board
KUSSELL LIMBEER
Secretary
8th November, 1987

"Up to Half of the Car of Tomorrow Can Be Made Out of Plastics."

The use of plastics in cars is increasing all the time.



Both the cars on the race track and in rallying are subjected to enormous stress loads. This very fact makes these cars the best possible testing ground for new materials.

The use of plastics in cars does certainly grow, not only because plastic is cheaper - in fact certain plastic details are only used in the most expensive models - but because the properties of plastics are superior. They are strong and light weighing only a seventh of the weight of steel.

Today the weight ratio of the plastics content in cars is just above 10 per cent, tomorrow it may well become more than half of the total.

Tough, flexible and impact absorbing plastics are used for car bumpers, dashboards, roof lining and steering wheels. Because of their non-rust properties plastics have now found their way into inner mud guards, chassis details, even car body skirts. Safety factors and light



weight has extended the use into fuel tanks. In the electrical system of a car, and in its electronics, the part played by plastics is of absolutely vital importance.

Neste Chemicals share of the European major plastics market is growing all the time.

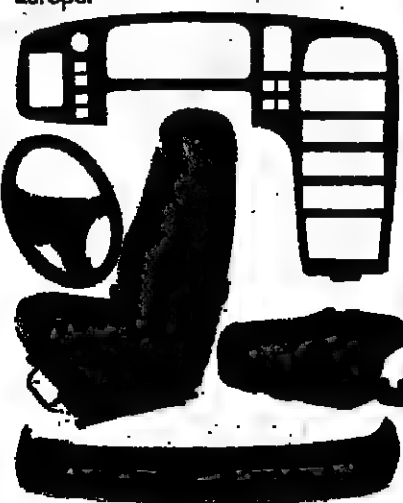
Neste Chemicals started its activities in early nineteenth centuries. From that moment on the operation has expanded fast and scope of the business has grown by well timed investments and company acquisitions. And the speed is accelerating all the time.

Today polyolefins are the main products of Neste Chemicals. Both in polyethylene and polypropylene plastics our products have achieved a reputation of high quality and advanced technology. Also in production polyimide Neste has become one of the leaders in the European polyolefins industry its main market still being in the Nordic countries. Neste has polyethylene plants both in Finland and Sweden. Polypropylene is today manufactured only in Beringen, Belgium and it was an important milestone in the company's expansion when the production on the European continent was started in 1986. Another polypropylene plant, due to be on stream in 1988, is under construction in Finland.

The production of Neste Chemicals also covers oxochemicals, PVC, polystyrene, polyesters and a range of the most important petrochemicals and industrial chemicals.

The base of Neste Chemicals operations is founded on intensive product development and research which leans heavily on Neste's thorough knowledge of the complete production chain and excellent R & D facilities in Finland, Sweden as well as in Belgium. Our experts constantly work with our customers on their problems and all this knowledge is used for the development of the final plastic products.

Neste Chemicals is racing on the right track to the pole position in Europe!



Keke Rosberg, ex-World Champion Formula 1: "Through the inroads made by specialized plastics, the use of plastics in cars grows continuously. At present it has already reached a level of approximately 10 per cent of the total weight of the car."

Neste Chemicals is an important part of the internationally expanding Neste Corporation.

Neste is the largest oil refiner and chemicals manufacturer in Scandinavia. Neste Chemicals is one of the biggest producers of polyethylene and polypropylene in Europe. Neste Chemicals also makes petrochemicals, PVC, polystyrene, polyesters and industrial chemicals. Neste Trading is one of the world's leading oil traders, with well established operations in Europe, the USA and the Far East.

Neste Chemicals at your service:

FINLAND: Neste Oy, Chemicals, SF-06850 Kullaa, tel. +358 15 692 111
Oy Ebel Group Ltd., Box 5, Lillkiespänkijä 5, SF-00621 Helsinki, tel. +358 0756 91

BENELUX: Neste Chemicals Benelux B.V., Breda, tel. +31 76 225 949

Neste Polypropylene N.V., Beringen, tel. +32 11 421 101

DENMARK: Neste Kemi A/S, Frederiksberg, tel. +45 1191 133

EASTERN EUROPE: Neste Chemicals Handelsgesellschaft mbH, Vienna, tel. +43 222 855 157

Neste Oy, Moscow Office, Moscow, tel. 207 7473, 207 7488

FEDERAL REPUBLIC OF GERMANY: Neste Chemicals GmbH, Düsseldorf, tel. +49 211 61080

FRANCE: Neste Chimie France S.A., Rungis, tel. +33 1 46 872 227

HONG KONG: Neste Chemicals Far-East Ltd., Hong Kong, tel. +852 5 229 376/225 572

ITALY: Neste Chemicals Italia, S.r.l., Verona, tel. +39 45 575 066

JAPAN: Neste Chemicals Far-East Ltd., Tokyo, tel. +81 3 582 2021

NORWAY: Neste Kjem A/S, Lysaker, tel. +47 2122 037

Neste Kemi A/S, Larvik, tel. +47 34 85 160

SWEDEN: Neste Kemi AB, Malmö, tel. +46 40 228 240

Neste Oxo AB, Stenungsund, tel. +46 303 85 600

Neste Polyester AB, Nol, tel. +46 303 40 440

Neste Polyeten AB, Stenungsund, tel. +46 303 86 000

Neste Thermisol AB, Stockholm, tel. +46 8 248 540

SWITZERLAND/AUSTRIA: Neste Chemicals S.A., Geneva, tel. +41 22 981 444

TURKEY: Neste Chemicals S.A., Istanbul, tel. +90 172 4212, 172 4379

Neste Shipping owns the most modern fleet in the world specializing in the transportation of crude oil, oil products, gas and chemicals in exacting arctic waters.

Neste Battery's production programme includes starting batteries, industrial batteries, and complete auxiliary power and solar energy systems.



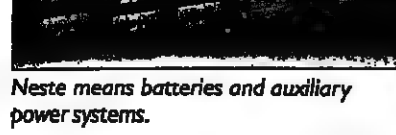
Neste means oil refining and trading.



Neste means chemicals.



Neste means shipping.



Neste means batteries and auxiliary power systems.



Neste means cars.



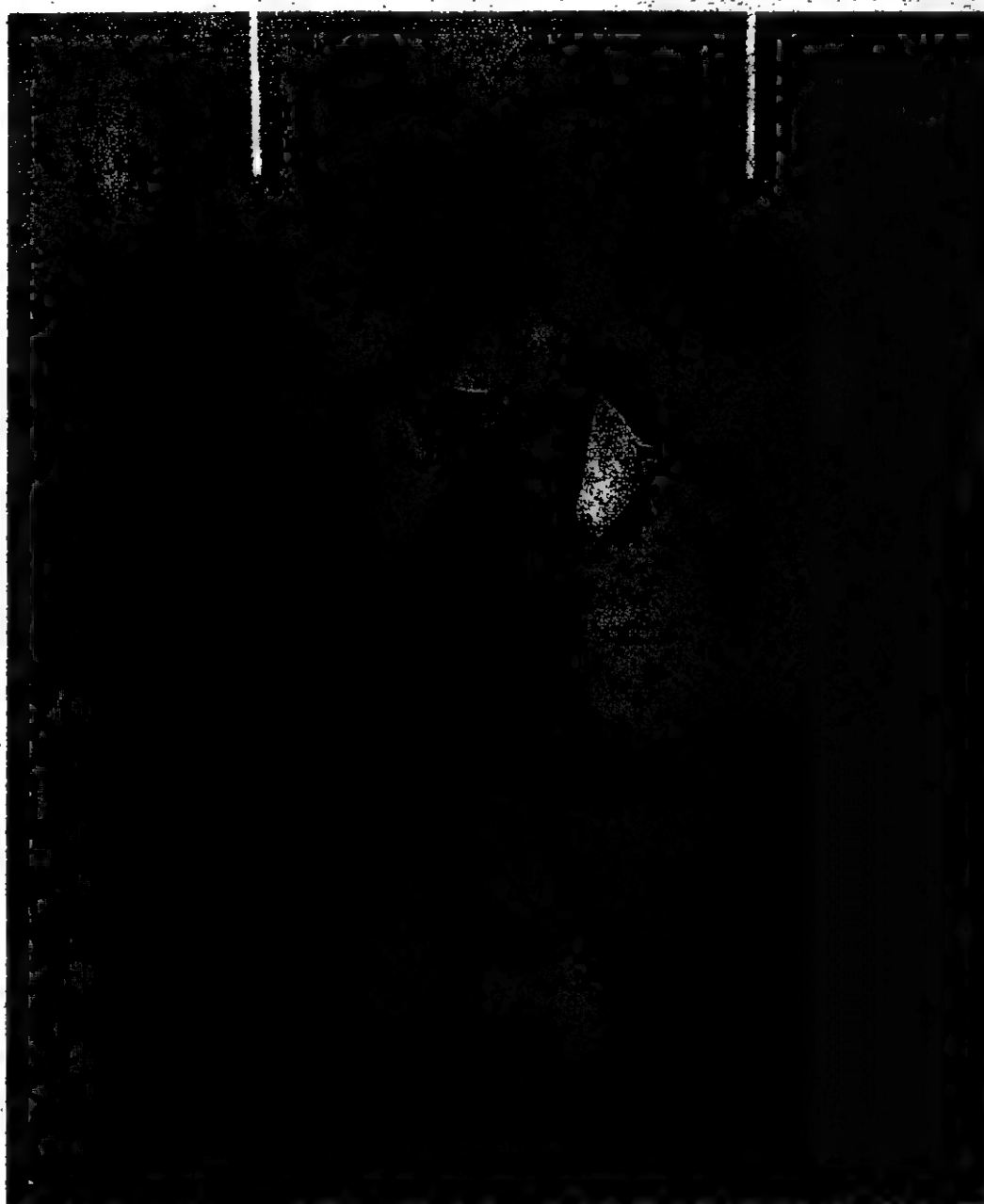
Neste means cars.



Neste means cars.



PILKINGTON MAKES OVER 20% OF THE
WORLD'S FLAT GLASS.
SOMETHING THAT'S EASILY IGNORED.



Be honest, did you notice the sheet of glass hanging in front of the girl?

No. And that happens to most of the 2.2 million tonnes of glass that we make every year.

What can't be overlooked is Pilkington's performance.

Last year our profits rose 108% producing £256 million. Our sales of flat and safety glass went up by 71%, which accounted for more than three-quarters of our total profit.

We operate in 36 countries and licence the float glass process to 28.

This process is used to make 98% of the world's flat glass. Since then we've increased our list of firsts.

A clear glass that becomes a barrier against heat, flame and smoke, in case of fire. A glass that lets the heat of the sun in, but not out, and plastic-faced anti-lacerative windscreens.

And there's more in the pipeline.

We invested £64 million in research and development last year to produce the next generation of Pilkington products.

You may continue to ignore our products but we're sure our performance

will continue to attract your attention.



PILKINGTON

The world's leading glass company.

Sell Yellowstone Park, Mr Reagan, but don't deflate

NO ONE needs reminding that there is now a great deal of economic uncertainty. But observe that the uncertainty is all on the downside. The risk of a recession is unquestionably much higher now than on October 18. For this reason, it is a serious error to continue to focus on the US budget deficit, whatever the merits of deficit reduction might have been before Black Monday.

The surest way to a recession is to attack the budget deficit in earnest. If government spending were lower or taxes higher, aggregate demand would fall. Inevitably, production would decline. And with production, incomes.

If the markets require reassurance that "something is being done about the deficit", by all means let us provide reassurance. But not in a way which throws the economy into recession.

"Privatisation" takes on a new attractiveness in this context. For the money that privatisation brings into the public treasury involves an exchange of assets rather than a reduction of spending for newly produced goods and services.

Unfortunately, compared to Mr Thatcher or Mr Chirac, Mr Reagan has precious little to sell. His own party might desert him if it were to come to privatising the national parks - imagine Yellowstone a theme park - or throwing the infant industry over to private entrepreneurs.

It must be said that, since 1983, President Reagan's performance in the economic sphere has been infinitely better than his rhetoric. In a world awash with excess saving, American budget deficits have been crucial to making up the global demand deficiency. Deploring decades of Key-

nesian policies may give solace to his party, but the truth is that no one could have followed Keynesian logic more closely - whatever name might have been given to the policies.

However, expanding the global economy has entailed huge international payments imbalances and an increasing foreign debt. Policies that would have involved no adverse international consequences when the dollar was grossly undervalued, as in the 1960s, will not work in the environment of the 1980s. The days of American hegemony are long past.

The conventional wisdom is that reduction of the budget deficit will reduce the external deficit. The conventional wisdom may be right, albeit for the wrong reason. At one time it was believed that reducing the budget deficit would help the trade balance by reducing

the pressure of government borrowing on interest rates. This was supposed to allow the dollar to fall without the need to offset the inflow of foreign funds by inflationary increases in the domestic money supply. That was the theory.

But apart from the questionable wisdom of curbing the disease with medicine that may endanger the patient, the consequences for the budget deficit itself are likely in the end to be negative. A recession will cause tax revenues to de-

crease in direct proportion to European expansion. In this scenario, a reduction in the US budget deficit could take place without risk to the American or the world economy.

But what if the Germans and Japanese decline to act responsibly? Washington must then consider how to nudge them in the proper direction. Mr James Baker, the Treasury Secretary, seems disposed to a 1980s version of dollar diplomacy - a threat to leave the dollar to the mercy of the market.

It is unlikely to be in anybody's interest for the US to rely on the weapon of currency depreciation, whether managed or determined by market forces. Even a rapid depreciation of the dollar is likely to adjust America's external account only with a considerable lag, and to do so at considerable cost, both in terms of the standard of living in the US

and in terms of output foregone abroad if currency appreciation triggers recession. Nor are other countries without means of retaliation. There is a distinct possibility that substantial depreciation of the dollar might trigger trade war rather than bring about equilibrium.

Currency depreciation may have merit as a threat; the danger is that the threat will become a substitute for co-operation, rather than a stimulus to multilateral action. We have already lost much time in refusing to face the need for collective economic responsibility. But this may be the moment. Nothing concentrates the mind, said Samuel Johnson, like the prospect of being hanged. Or, he might have added, the prospect of global recession.

The author is professor of economics at Harvard University.

Stephen Marglin considers the challenges facing American economic policy makers

Instead, deficit reduction is likely to operate on the US external account through the mechanism of recession. A recession may alleviate the payments deficit - imports of consumption and investment goods will fall along with domestic production and in-

come and welfare expenditures to rise by more than any feasible tax increases and spending cuts which might be enacted, today.

It is possible to solve the US balance of payments problem without worsening the risks of recession, but not without the

INTERVIEW

Prophet of the revolution

Norman Tebbit describes his vision of Tory populism to Peter Riddell

THE TORIES have become "a sort of anti-establishment establishment party" over the past decade, says Mr Norman Tebbit.

One measure of this, he argues, is the Government's refusal to bow to City pressures to drop the BP share sale. He says it is open to doubt whether previous Conservative Governments would have behaved in the same way. They might have "felt it their duty to hand people out in the City".

But now, "what many people thought was our favourite child knows that the rules of the market apply to it as well." According to Mr Tebbit, says Peter Riddell, that is the new attitude. "The Conservative Party treats everybody much more equally, whether they are solicitors seeking a continuation of their monopoly or merchant banks looking to be eased of their liabilities or Bloogs and Co looking for a subsidy."

Mr Tebbit has always been the most articulate exponent of Tory populism and there is no sign of any weariness with politics as he completes his transition from high office - leaving the Cabinet in June and the Conservative Party chairmanship a week ago - to become a backbencher and non-executive director. This voluntary change was made partly so he could spend more time with his wife, who was injured, like him, in the Brighton bombing three years ago, and partly to broaden his career.

Talking in his panelled office at Westminster overlooking the Thames, the private Mr Tebbit does not match his abrasive public image. He is affable, thoughtful, even detached, though always with a barbed remark near the surface.

He highlights social changes in the party as the key to its success since 1979. The image of the party he grew up with in north-east London in the 1940s and 1950s was of the local Young Conservatives' branch as the smart social set in town, "for people who were comfortably off."

"They did not want to know the factory workers and even the skilled self-employed men. The idea was that grammar schools were for people who became solicitors and went to uni-

versities and that the Tories didn't really care about the technical schools which were, or should have been, producing skilled craftsmen and artisans."

All this has changed now, Mr Tebbit thinks, because of social changes such as "the burgeoning of the CIs and CIs (the skilled and semi-skilled workers) as a growing group not only in numbers but also in purchasing power."

He regards the 1970-74 Heath administration as a failed dawn. The social changes ought, he feels, to have been personified by Mr Heath. "That is the terrible tragedy of Ted, that he was

PERSONAL FILE

1931: Born March 25

1947-48: Worked for Financial Times

1953-70: After national service, a civil airline pilot and union official

1970: Elected MP for Hipping, Essex

1971-1981: Trade Under-Secretary, 1981: Industry Minister of State

1981-83: Employment Secretary

1983-85: Trade and Industry Secretary

1985-1987: Brighton bombing, seriously injured

1987-1987: Chancellor of the Duchy of Lancaster; Conservative Party chairman

almost Mrs Thatcher. "That government, when he was a new backbencher, was a bit ahead of its time. Perhaps we hadn't quite got the resolve to carry things through. So when it got difficult there was a tendency to revert to the traditional British practice of government." No wonder Mr Heath and Mr Tebbit do not exactly admire each other.

Mr Tebbit sees a movement away from what he calls the old deferential system. "It is one of the reasons why we have done so badly in Scotland that the party there is still perceived as the Tory party was perceived in England in the 1960s." Part of the change in England is that it was seen that people from backgrounds like mine could be there in the leading group of the Tory party and therefore if old Norman can do it why can't I. We changed our accent."

Many more people can now identify with the Tories, he argues. He recalls a recent conversation with the politician, though strongly free-market, Environment Secretary, Mr Nicholas Ridley said he knew how well the Tories were doing in the election when a local dust-dust appeared with "Vote Ridley" posters stuck on it. "The idea 30 years ago of the dustman in Tewkesbury identifying with Nicholas Ridley is quite extraordinary."

Mr Tebbit is a lot about style and a lot about the fact that we have been identifying the things that the chap in the pub and his wife always had a feeling were going wrong and trying to deal with them. He points to the lack of confidence in nationalisation and government control, to being bossed around by shop stewards, to home ownership ambitions and to "sharp resentment at the amount of money which disappeared from their pay cheques." The Tories, he says, made it plain that "we were not deeply impressed with British management at times, nor were a lot of workers."

However, Mr Tebbit acknowledges that the message has not been accepted in many of the big cities. He believes that this is because they have not yet received the benefits of Thatcherism. Part of the answer lies in the work of the urban development corporations and in breaking the system of dependency involved in being a council tenant, working for a local authority or living on benefits. But he also sees a social conservatism in the working-class urban areas of the north which have suffered badly since the 1980 recession - where they don't yet see the Conservative Party in the same way as in the south.

Looking ahead, Mr Tebbit argues that as long as the Tories make it plain that they are "unimpressed by the work of some of the staff of the schools and by the way the health service uses the cash it gets, then we will continue to hum in on people's natural feelings."

Mr Tebbit thinks it is very hard to imagine a Labour Government at the moment unless there is some political and economic catastrophe. He sees divisions within Labour between what he describes as the ideologues and the office-seekers. "If it is not a socialist party, what is it? A party that can just take the rough edges off what we've been doing, making privatised industries work better. I think that's a difficult appeal to make from a party with the structure and nature of Labour. Sooner or later he believes a split is going to occur."

However, Mr Tebbit does not think the changes since 1979 are necessarily irreversible. If, for example, there was severe economic trouble, even though they are becoming more deeply bedded in, "Nobody will be able to reduce the level of home ownership again and, as people get some choice in education, it will be difficult to take that away from them."

Similarly, he highlights the changes in government/industry relations. "If a manufacturing company gets into financial trouble, I don't think anyone expects they will be bailed out. They know that if they screw it up they're going to have to solve it themselves or someone will have to solve it for them through the market."

Mr Tebbit will in future be looking at three questions from a different angle. He has so far taken on four non-executive directorships - British Telecom,

Rise Arrow, Berr and BRT - and may accept two more, including one in a "real manufacturing company" since he reckons that half a dozen is about the maximum he can handle.

BT has attracted most interest, not least because as Trade and Industry Secretary from 1983 to 1985 Mr Tebbit was responsible for the privatisation of BT and setting up its regulatory structure. Apart from the traditional duties of a non-executive director "to remind the executives who own the company," he thinks he can offer a broader insight given the job to be done both in improving the quality of service and in ensuring that perceptions of it are right.

Mr Tebbit intends to be an active backbencher, acting like a pilot fish pushing ahead the political debate. On the health service, he argues that "the only essential is that patients receive treatment even if they can't pay for it." He regards the type of organisation as secondary. The argument "revolves around the extent to which people may choose to put more of their own money into buying extra, whether carpets on the wall or, as the Prime Minister put it, getting the operation on the day they want it." He sees it as a supplement, not a substitute, for the present NHS.

Mr Tebbit wants to concentrate welfare benefits more on those who need them, but sees this as a long-term question when unemployment is lower

and the problems of poverty not so great as they are now. "It's difficult to turn the whole thing over at the moment."

As a pointer he stresses the changes in trade union law since 1979 where "the Government was successful in moving start a debate going which got the public to look at them in a different way - not to lose the baby of the welfare state, but get rid of some of the bath water which is in danger of drowning the poor little thing."

Joking about a long revolution, lasting perhaps 20 years, even Mr Tebbit sees a limit to the extent of changes. "When you've run through health and education and had another hard look at the structure of welfare benefits, then it's difficult to see where the revolution could go on from there."

If all went favourably, "the appetite for revolution and change would be satiated and then perhaps we could go back to being the party of saying everything is going reasonably well." But, he quickly adds, "something else will be going wrong by then which will need reform."

A lesson in scrutiny

THE WITHDRAWAL of Judge Douglas Ginsburg from nomination to the US Supreme Court, hard on the heels of the Senate's rejection of Judge Robert Bork, sharply focuses interest in the appointment of the high judiciary in a democratic society.

In a country where, constitutionally, courts are an arm of government, it is not surprising that a system of executive choice of unelected judges should be politically unacceptable. Hence a presidential nominee for appointment to the final court of appeal requires the Senate's consent. Scrutiny of a nominee's record and jurisprudential beliefs is valuable in helping to articulate the criteria for a good judge. Candidates for high judicial office are thus exposed to cross-examination by Senators, and sometimes disqualification themselves.

Judge Bork's intellectual arrogance in lecturing the Senate Judiciary Committee, coupled with his publicly proclaimed political-legal conservatism, brought about his downfall. He became the 28th reject out of nearly 140 Supreme Court nominees placed before the Senate since 1789. Judge Ginsburg's predictable withdrawal followed media revelations of youthful drug-taking indiscretions and dubious activities while working in the anti-trust division of the Justice Department. Without a direct rejection by the Senate, a double snub has been inflicted on President Reagan.

This open and critical procedure for making judicial appointments is typical of the American desire to ensure probity in its Federal judges and to instil public confidence in the legal system. Whatever virtues this process possesses, it would find no acceptance in the UK, where the assumption is that judges are not politically motivated in their decisions. Parliamentary sovereignty is loyally acknowledged. If judges were to step outside their judicial province, parliament would always have the last word, since there is no power in the courts to declare legislation unconstitutional. Sensitive to their role as interpreters of the law, UK judges play a more restricted part in government.

The US lesson relates to the procedure of nomination rather than to senatorial disapproval. President Reagan's overt attempt to shift the balance of the nine-judge Supreme Court towards his own brand of political and social conservatism has been thwarted, not least because of Senate hostility but because White House officials applied insufficient rigour in the choosing. Both of the nominees were vulnerable to rejection long before the Senate began its mauling exercise. It is, in short, the process of selection that is crucial. There lies the rub. The American experience seems as a reminder that the process of appointment to the English Bench lacks openness. Is the selection process also suspect?

Appointments to the High Court in England are few. The High Court bench numbers

about 90 and the yearly average number of appointments is about six. There is, in addition, an establishment of 11 Law Lords and 19 Lords Justices of Appeal. The occasional vacancies in these appellate courts are normally filled by promotion from among existing High Court judges. The pool of barristers from whom superior court judges are drawn is a small proportion of the 400 practising Queen's Counsels. Some are too old - the practice generally is not to appoint anyone over 60. Others positively do not wish to forego their normal lifestyle.

The list of potential candidates is thus short. The Lord Chancellor, who exclusively does the choosing, consults the senior judges and relies upon his staff to keep a watch on those under consideration. Ordinarily a Lord Chancellor will have practised at the Bar and have personal knowledge of most, if not all, of the candi-



dates. The new Lord Chancellor does not possess that knowledge, since he has not practised in the English courts (save for one or two appearances in the House of Lords when he was Lord Advocate) and has seen only a handful of practitioners in his two years as a Law Lord. Will that matter? Does it mean this is a good moment to alter the selection system by establishing an advisory committee to assist the Lord Chancellor?

The last Vice-Chancellor, Sir Robert Megarry, once wrote: "The system of appointment to judicial office in England is about as English as it could be. Theoretically it is open to great abuse, but in practice it works extremely well." Lord Gardiner, as a reforming Labour Lord Chancellor in the late 1980s, observed: "It is of considerable importance that a method of appointment which has proved so satisfactory should not be altered."

There is not a universal view. Voices have been raised against the system, not because there has been any ostensible abuse but because it is unfair on those not chosen. Any process of selection which is not subject to public scrutiny must, at least, be seen to be, both painstaking and fair.

Proposals for establishing a committee to advise the Lord Chancellor are not new. The Haldane Committee on the machinery of government in 1918 proposed that the Lord Chancellor should be required to consult a committee before making a judicial appointment.



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Investment

Some coins more equal than others

LONDON, 15. October. The multi-tude of coins available today places many a novice in a quandary. They are offered in all sizes and designs, and at all price levels through ads in the daily or at banks or coin dealers.

Caveat emptor. Not all that glitters is a coin. Basically, there are five different types.

1. Bullion Investment Coins. Gold bullion investment coins are sold solely for the intrinsic value of the precious metal. They are produced in large numbers by major gold producing countries, such as Canada, Australia and U.S., this is traded at a small premium over the actual price of the metal. As they are a pure investment vehicle, like gold bars, they have no numismatic value. They are favored over gold bars by investors as a store value, as they are more transportable and easier to trade. The value is easy to keep track of, as their price is based upon the daily fixing of gold.

2. Numismatic Coins. In general, these are coins which are bought by collectors for their beauty, as opposed to the value of their precious metal content. However, a truer definition would include those coins struck prior to 1804. The price has no relation whatsoever to the actual value of the metal. The factors determining the price of a coin are rarity, age, and condition or quality of the striking.

3. Semi-numismatic Coins. These are coins that were struck after 1804, however prior to 1850. The same criteria as those used with numismatic coins are used in determining their value. The buying and selling of one of these coins is, however, easier since they are available in greater quantities than those struck prior to 1804.

4. Current Coins. Current coins are those struck after 1850 and were in circulation during the time of the gold standard. There are still large quantities of these coins available today. The price is related to their gold content plus a fairly highagio.

The collecting of numismatic and semi-numismatic coins can also be considered a form of investing, however usually it is merely a rather expensive hobby. Current coins fall into a category between hobby and investment, since they also maintain a value, even if the price of precious metals should fall.

5. Medallions. These are collectables, but are also considered an investment. They are produced at some special occasion, such as an anniversary, and their value is determined by their rarity and the quality of the striking. They are usually sold at a premium over the actual value of the metal.

Gold Maple Leaf makes a breakthrough
World's gold coin standard / Grows in popularity / Even attractive for small investor.

OTTAWA, 15. October. Gold, prized as a store of wealth over the ages, has not lost its shine even in the age of high technology and cashless transactions. This has been felt recently by the Royal Canadian Mint. According to a spokesman for the Mint, demand for the Gold Maple Leaf, the Canadian gold bullion coin which is struck in four sizes, has recently been brisk. Observers of the financial world contribute this to various factors. The primary reason is felt to be its universal recognition which ensures ease of trading wherever gold is sold around the world. Of almost equal importance is its unusual purity of 9999 or 24-carat. Most other gold coins rarely exceed .916 or 22-carat, the purity of the South African Kruggerand (which is no longer being produced).

A further aspect is that the Gold Maple Leaf is legal tender in a country known for political stability and for being a dependable trading partner. Since the coin is easily convertible currency, it is sold in most countries free of a value added tax. This is true in Luxembourg, Switzerland and Austria, while a minimal tax is charged in Belgium (1%) and Holland (4%).

Since the Gold Maple Leaf is struck in four sizes, it is able to satisfy the varying needs of all investors. It is available in one full troy ounce of pure gold (31.1035 grams), 1/2, 1/4 and 1/10 ounce of the world. Gold bullion coins are

the benefits of owning gold. The Gold Maple Leaf, which has been available since 1979, is produced only from gold mined in Canada.

This accounts for its unusual yellow color compared to coins mixed with alloys. The use of Canadian gold is a requirement of the charter of the Royal Canadian Mint and it serves to support the Canadian mining industry. Gold was first discovered in Canada in 1858 and has been continually mined ever since. Canada is currently the third largest producer of gold in the world.

This objective is clearly being fulfilled, as indicated by sales results of the Canadian coin. Since its introduction in 1979, over 10 million Gold Maple Leaf coins - that's over 300 tons! - have been sold around the globe. The biggest jump came in 1985, when sales doubled. This was caused by a favorable price of the precious metal and an increasing interest in this bullion investment coin, following the demise of the South African coin.

Why do more and more investors prefer bullion coins to its cousin, the gold bar, or wafer as it is sometimes called? One key reason is their liquidity - a coin enjoys universal recognition and can't be counterfeited. Gold bars may enjoy a solid reputation in their local market, however usually require a costly and time-consuming assay in other parts of the world. Gold bullion coins are

respect, the Royal Canadian Mint is especially strict. Although the purity of each Gold Maple Leaf is given as .9999, it is actually closer to .99995. The weight on each coin is strictly controlled, with the weight struck on the coin being a minimum guaranteed by the Government of Canada. Independent tests have even shown that the coins are all above the minimum, showing that the Royal Canadian Mint gives a little gold away to ensure they meet the guarantee. No other coin has yet to show similar results.

It is fair to point out that a gold coin, and a bar for that matter, provides the owner with no interest. However, it can be still considered an investment instrument, but for other reasons. This is because it is a speculative object. But, more significantly, gold has been proven over time to be the surest store of value. Gold bullion coins will not multiply but, as the saying goes, they bring peace of mind. They can anchor a portfolio that is made up primarily of more speculative instruments, as they will gain in value when others are losing theirs. Inflation and economic crisis only eat up other investments, while feeding the value of gold. That's why most experts agree that 10 to 20% of a portfolio must be in gold. An ideal way to keep this golden rule with Gold Maple Leaf bullion.

With no guarantee of the future economy, it is comforting to know that the security and weight are

Investment can also be beautiful

FRANKFURT, 15. October. The Royal Canadian Mint created not only a major bullion investment coin, but also a coin recognized and appreciated around the world for its beauty. Although this is not the main criteria in choosing an investment instrument, many find added value in the quality of the design and striking.

As with all Canadian currency, the front depicts the effigy of Queen Elizabeth II, reflecting the historical relationship with England. The reverse side shows the symbol of Canada, a maple leaf, which has been captured to perfection by the engraver.

Prominently displayed are also the key facts about the coin, such as its origin; value (either \$50 Cdn, \$25 Cdn, \$10 Cdn or \$5 Cdn); weight (either 1, 1/2, 1/4, or 1/10 ounce); purity - .9999; and date of striking. The first coin was struck in 1979.

One Eagle that doesn't fly

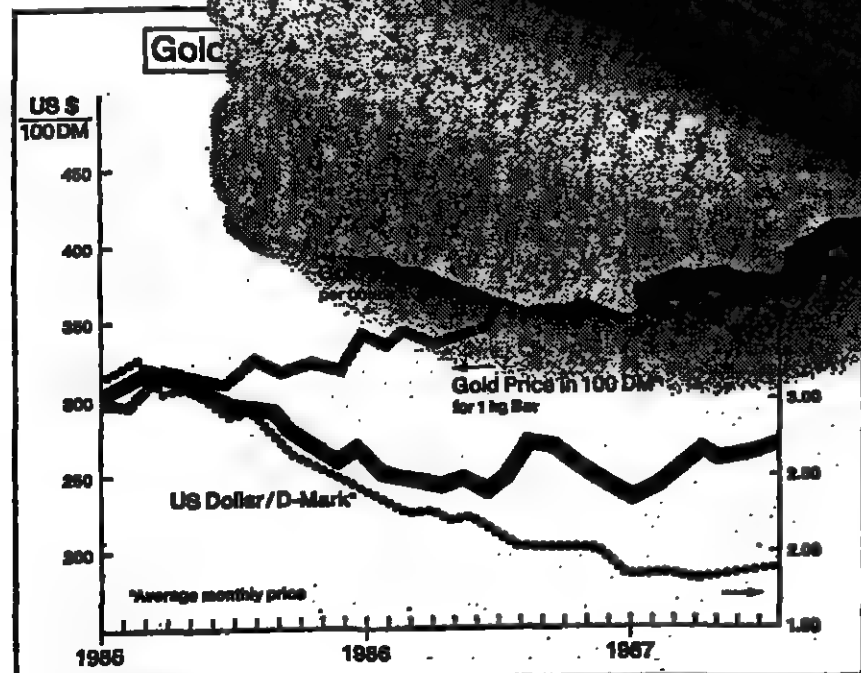
FRANKFURT, 15. October. Anonymous sources in banking circles in Frankfurt, Zurich and London say that the U.S. Eagle is not the same level of success in Europe as it has in its home market. European investors continue to prefer more traditional gold products such as small bars or the better known Gold Maple Leaf. They say that less popular coins do not enjoy the same liquidity as the popular coins.

Is it an investment?

NEW YORK, 15. October. The problems in the United States in the health of the economy have led to the question of whether or not gold is a more secure investment, or more of a hedge against closing, resulting in all their customers pointing to similarities to the crash of '29, just to have arguments to point out that it is different. This adds to the uncertainty that surrounds a safe haven before it is lost to failure.

All paper instruments or securities, are subject to the risks caused by loss of control of financial government bodies. It is out that precious metals, gold, offer the ideal store of value is intrinsic and not that of paper money.

Gold is international to the fortunes of any banking system. It can bring a sense of security, as it is a sure policy against what would come in a



Cavelti "Time-proven investment"

Since the price of gold was freed in 1970 to move with market forces, it has risen to new heights, and fallen just as often.

Precious metal and finance experts continually try to analyze the price development. But, the gold metal remains unpredictable. Rising or falling dollar exchange rates, wars, and financial crises are no longer a guarantee for a rise in the price of gold.

The peak in the price of gold was reached at \$850 for one ounce in 1980. Currently, the price ranges between \$400 and \$500. In spite of this, invest-

ment advisors recommend to follow the golden rule - hold ten to fifteen percent of an investment portfolio in gold.

The reason is simple, explains Peter C. Cavelti, President and Chief Executive Officer of Cavelti Capital Management Ltd. in Toronto, Canada, and an internationally recognized expert on precious metals: "Gold is an unbeatable investment vehicle that protects prosperity at all times, even during crisis." Cavelti has banking experience in U.S., Africa and Asia and belongs today to the most sought-after precious metal advisors.

ment advisors recommend to follow the golden rule - hold ten to fifteen percent of an investment portfolio in gold.

The choice between bullion bars, certificates or a precious metal account depends upon the wants and needs of the individual investor. In addition, such aspects to consider are the availability of gold, the possibilities for resale and also personal taste of the ultimate owner.

Weight and Purity. Traditionally, the gold trade has dealt in troy ounces - one troy ounce equals 31.1035 grams. Today, however, the metric weight system is also accepted and used, thus gold is available in grams, kilos and tons.

Of particular importance is the purity or fineness of the gold. With small bars, or wafers as they are sometimes called, and the leading bullion coins, such as the Gold Maple Leaf, a purity of .9999 is normal. This means that the given piece contains no more than one ten thousandth of foreign matter. However, it really means that a greater purity is not possible nor really necessary.

Coins - solid and liquid. One differentiates, more or less, between numismatic coins and newly minted coins, or the so-called bullion investment coins. Nu-

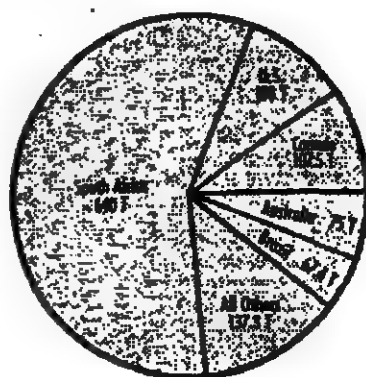
merical coins, on the other hand, are usually sold at a premium over the actual value of the metal. They are usually sold at a premium over the actual value of the metal. They are usually sold at a premium over the actual value of the metal.

Most bullion coins enjoy international recognition and cannot be counterfeited. They can be exchanged for cash on demand most anywhere in the world where gold is traded. This contrasts to gold bars, which have been known to be counterfeited, thus usually require an assay to determine their purity. This is not only costly for the seller, but also takes time and requires formalities. The price of the leading coins can be found in the financial pages of most major newspapers. Or it can be determined from the daily fixing of gold. Many countries impose a sales tax on gold coins, as well as bars.

Bars - familiar but not universally recognized. The majority of bars sold today range from 1 gram up to 12.5 kilograms. The small bars are produced at a purity of .9999 fine gold. The trade accepts only bars from a reputable refinery which have a serial number. When there is

Gold Certificates - Paper as good as gold. The advantage of this form of investment in gold is that no tax is levied on the ownership of gold. The precious metal remains in the possession of a bank, which usually maintains this in a no-tax area. The disadvantage is that there is usually a minimum purchase amount, that varies from bank to bank - for example 10 Gold Maple Leafs or 500 gram bars - which makes this form unattractive for small investors. Another factor is that one doesn't have possession of the gold, which reduces some of the psychological benefit of owning gold.

1986 Non-Communist Gold Production



and downs of gold coin

OTTAWA, 15. October. Recent reports indicate that the coin from the Royal Canadian Mint stays down under in sales compared to its competitors. After interest in markets without the Australian Gold Leaf, the Royal Canadian Mint's sales of the Gold Maple Leaf, recently introduced, have been quickly eclipsed by the Australian Gold Leaf.

Anonymous sources in gold trading circles attribute this to the stronger international position of the Canadian bullion coin, which ensures tradability and liquidity.

Gold production up.

OTTAWA, 15. October. With a yearly production of over 100 tons (107 tons in 1986), Canada is third largest producer of gold in the non-communist world.

The first discovery was made in 1858 at Cariboo, British Columbia. Today, forty-one mines produce the majority of this precious yellow metal. However, prospectors still roam the backwoods, searching for the hidden lode and dreamed-of riches.

The greatest amount of gold is mined in Ontario. Recent discoveries in the region around Hemlo made headlines around the world and boosted share prices. The main reason for the jump was the revised estimate of the gold reserve in this area: before the discovery reserves were felt to be around 130,000 ounces - today they are known to be closer to 17 million fine ounces of pure Canadian gold. Enough to keep the Royal Canadian Mint busy striking Gold Maple coins to meet the needs of investors around the world.

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Monday November 9 1987

Europe's aims in space

THE SPENDING plans of international organisations have a marked propensity to generate an unstoppable momentum of their own. All the more so when they involve high technology and international prestige. To that extent, the British Government's penny-pinching attitude to the European Space Agency, whose 13 member nations meet this week in The Hague to decide on a new European space plan, can be said to reflect a realistic concern for the interests of the taxpayer. The question is whether this insistence on value for money will cause several important opportunities to go by the board.

At issue is an increase in the agency's annual spending from \$1.7bn to \$3bn by 1993 and a total cash outlay by the end of the century of around \$40bn. That expenditure would take Western Europe into manned space operations. Much of the new programme is involved with developing Columbus, a laboratory that would fit into a US-led international space station planned for the 1990s. A French-inspired main-stay, Hermes, which needs an improved version of the Ariane space rocket for its launch, would ferry people to and from Columbus.

Driving force

The difficulty in assessing this programme is that the motives underlying it are so mixed. They include scientific exploration, support for an infant industry (although parts of the space industry have already grown to maturity) and a more general desire to be independent of the Americans. Especially controversial is manned space flight, which some countries argue is more suitable for international collaboration than for a separate European effort.

Where the disagreements are likely to arise at The Hague is over what priorities should be given to which objectives. The likelihood is that the French, who have been the driving force behind the ESA, will be more overtly committed to a grandiose and expensive Euro-political vision than the British, whose Trade and Industry Minister Mr Kenneth Clarke has been hard-headedly commercial and concerned about possible cost overruns, especially on Hermes. For their part, the West Germans have indicated strong general support for Hermes, but want more time to look at the details.

It is a moot point whether the

British are not taking their scepticism too far. Certainly the arguments deployed earlier by UK delegates at the ESA to the effect that the whole programme was beyond Europe's financial capacity is palpable nonsense. The European Community's combined gross national products could readily support a US-sized space programme if there were any political desire for one. The more difficult question is whether a European failure to establish a strong position in space would cause a large loss of competitive advantage in the 21st century against the US and Japan, or, on the contrary, whether a massive commitment of human and financial resources to space might not crowd out investment in other technologies which have a more direct bearing on industrial competitiveness.

Large sums

There is no easy answer. And given the large sums involved, it will do no harm if there is some commitment to explore private sector funding opportunities for those parts of the programme that hold out the more conspicuous commercial prospects. Yet it is hard to see what Britain hopes to achieve if Mr Clarke combines such demands with an argument that decisions on the revised Ariane project, on Columbus and on Hermes would all be premature. This simply invites knee-jerk reactions about the British shop-keeping instinct and encourages the French and Germans to pursue their common objectives without regard to British interests.

The British Government claims to be committed to a European space programme and is understandably keen to influence its development. It is entirely justified in wanting ESA members to define their goals more precisely and to separate more clearly scientific exploration, which has to be funded by the taxpayer, from industrial activities where the private sector should play a bigger role in financing and in management. A restructuring of ESA along these lines may well be desirable, but by appearing to blow hot and cold on the project, the British are undermining its development. It is entirely understandable that the Government has scarcely created a climate in which the private sector would naturally wish to undertake more of the ESA's work. The best outcome at The Hague is a realistic programme to which governments can give consistent support.

An agenda for Mr Takeshita

MR NOBORU Takeshita, newly installed as Japanese Prime Minister, is reckoned to be a consensus man. The question confronting him is whether the gradualist approach to policy that this reputation implies is the right one in the current domestic and international circumstances.

In several ways Mr Takeshita has got off to a lucky start. Japan is, even if only temporarily, off the international hook as a country of discontent for global economic mismanagement has turned to the US and, to a lesser extent, West Germany. Much of the next two months in Tokyo are going to be taken up with the compilation of the budget for the 1988-89 fiscal year, which will constitute an important statement of the nation's willingness to help promote general economic growth. Not performing this task under the gun of intense international scrutiny probably helps a little.

Debt repaid

Secondly, he should enjoy, for a while, the goodwill that has accrued to him at home and abroad to his predecessor, Mr Yasuhiro Nakasone, who, in effect, put Mr Takeshita in office. The new Prime Minister has repaid this debt by appointing a Nakasone confidant, Mr Sosuke Uno, as Foreign Minister, which helps ensure continuity in external policies. He has also, sensibly, left in place Mr Kiichi Miyazawa and Mr Hajime Tamura as ministers of finance and industry respectively. Too often, the most important portfolios in the Japanese cabinet have been appointed only with domestic political considerations in mind, a rule that Mr Takeshita has otherwise followed in naming his new team.

But these may only be ephemeral benefits. The current assumption in Tokyo is that the circumstances of his elevation mean that Mr Takeshita will be a one-term, two-year Prime Minister. The same assumption also applied to Mr Nakasone and the fact that he lasted five years is only partly explained by his popularity and his vigour in office. Just as much was accounted for by the peculiar internal divisions of the ruling Liberal Democratic Party which

prevented the rise of a consensus alternative candidate. Now that the factional battles inside the LDP have passed to a (slightly) younger generation some of the old stumbling blocks have been removed.

Political talents

Sooner or later, therefore, Mr Takeshita is going to have to decide, for his own as well as the nation's good, whether to follow the international model and be innovative or simply to guide the ship of state down current paths. The latter may be his personal inclination and has merits, so long as the reforms now in train do not lose momentum. But if he is totally passive, in the manner of Mr Zenko Suzuki, Prime Minister before Mr Nakasone, then a short tenure seems inevitable: a policy of radical widespread reform, greater than the Japanese body politic can stomach, would have the same result.

Yet Mr Takeshita's very considerable political talents could well make him precisely the man to steer through measures that Japan surely needs: tax reform is a bullet on which successive Japanese governments, including Mr Nakasone's, have failed to bite properly; the astronomical price of land is a national cross, the unbearing of which would be complex and controversial. If Mr Takeshita were to solve either, even at the cost of a brief period in office, he would have achieved much.

More easily attainable is the consistent pursuit of policies now in place. These include the taming of reasonable fiscal risks, in both the primary and secondary budgets, resistance to which remains strong inside government and industry; the development of a physical infrastructure for Japan commensurate with the nation's wealth, albeit recently acquired and, to many Japanese, more nominal than real; a continued dismantling of import restrictions, with special emphasis on agriculture; and more creative deployment of Japan's surplus towards the developing world.

Whichever way he chooses to tackle it, the agenda is heavy, and if Mr Takeshita has a breathing space for the moment, the probability is that he is going to be running at full tilt in the not too distant future.

While Mr Gorbachev's reform plans convulse the Kremlin, there are pressures for change beyond Moscow. Edward Mortimer has been to Estonia where local ambitions stretch the limits of Perestroika

ON AUGUST 23, shortly after Mr Gorbachev went on his famous holiday, but well before his absence began to arouse anxiety and speculation, there were demonstrations in the capitals of the three Baltic states, Estonia, Latvia and Lithuania, which since 1944 have been constituent republics of the Soviet Union.

We know this because the demonstrations were referred to - *glasnost* style - in the Soviet press, which however asserted that they had been prompted by Western radio stations, "reactionary emigre circles, Western experts on the USSR," and even the CIA. TASS portrayed the younger demonstrators as club-and-knife-wielding hooligans. Precise eye-witness accounts, telling us how many demonstrators and what for, were conspicuously lacking, although the date had obviously been chosen because it was the anniversary of the Molotov-Ribbentrop pact of 1939. (By a secret clause in this pact Hitler acquiesced in the Soviet takeover of the Baltic states, which happened the following year.)

An invitation to visit one of the three republics was therefore not lightly to be refused. It came, rather improbably, from the Finnish organisers of a Finnish-Soviet seminar held last month in Tallinn, the Estonian capital.

It should be explained that Estonian is a language quite unrelated to Russian or to any other Indo-European tongue, but related to Finnish, roughly as Dutch is to German; and that Tallinn is directly opposite Helsinki across the Gulf of Finland, a boat trip of some 3½ hours. Estonians can watch Finnish television and earn a significant hard-currency income, licit and illicit, from Finnish tourists. (Tallinn is known to some as "the poor man's Bangkok.") Many of them can understand, and even speak, Finnish.

It should also be explained that Estonia is a territory slightly larger than Holland or Switzerland with only 1½m inhabitants, enjoys the highest per capita income in the Soviet Union, the highest rate of car ownership and living space, and has been used as a laboratory of the liberal economic reforms now known collectively as *perestroika*.

There are, for instance, already a large number of licensed individual traders plying their wares on the streets of Tallinn, and quite a few small

The country enjoys the highest rate of car ownership in the Soviet Union

handicraft shops, elegantly fitted out and selling pricey, run by independent self-employed co-operatives. And three joint ventures involving Finnish companies have already started, anticipating the provisions of the new law of enterprise, which comes into force in January.

That does not mean, however, that Estonians in general are satisfied with their lot. On the contrary, their relative prosperity and dynamism makes them all the more aware of the drawbacks of being shackled to the *glasnost* Soviet economy and subject to the choking em-



On the jagged edge of glasnost

brace of the Moscow bureaucracy.

An issue that aroused especially strong and widespread anti-Moscow feeling in recent months was the proposal by the All-Union Ministry of Fertilisers to start large-scale strip-mining for phosphorite around Rakvere, in north-eastern Estonia - a project which, in the supposed interest of agriculture elsewhere in the Soviet Union, would have destroyed a highly productive meat-growing region and polluted the water supply over a large area.

The era of *glasnost* is not propitious for such projects. An unprecedented campaign against it developed in the local press and among the population until, some weeks ago, party officials announced that it had been shelved, at least until the year 2000. The issue seems to have united the entire population against the central Government, and the outcome is generally regarded as a great Estonian victory, holding out hopes that *perestroika* will translate into real national autonomy in economic affairs.

A very daring proposal in this sense was put forward in a newspaper article in late September by four writers hitherto regarded as conformist party figures. Entitled "A proposal for self-management for the entire USSR," it suggested making Estonia a closed economic region on the Chinese model, with a convertible ruble, very few restrictions on private enterprise, and virtually complete autonomy in trade relations abroad as well as with the rest of the Soviet Union.

Not surprisingly this proposal has been widely and intensively discussed. According to one of its authors, Mr Silm Kallas, who is deputy editor of the party newspaper, "very large masses have taken part in the discussion - workers, scientists and so on."

Mr Kallas told me he was getting between 10 and 15 invitations every day to speak about the project. At all the meetings the rooms were full and the atmosphere "very active". There had been nothing comparable

according to Mr Kallas. He and his colleagues had not "exported" their article to the other Baltic states, but clearly some Lithuanians had got hold of it, because a question about it had been put to Mr Gorbachev's leading economic adviser, academician Mr Abel Aganbegyan, by a Lithuanian caller during a live phone-in on Moscow television. The response had been that the idea deserved some research but that the objective must be to integrate the Soviet Union, not break it up.

all in favour of self-management and saw no reason why it should not be applied wholeheartedly to a given territory. "But that doesn't mean that territory should isolate itself from others." As for the idea of Estonia becoming self-financing in foreign currency, he dismissed this as quite unrealistic. "No republic of the Soviet Union at present is capable of going into the international market to earn currency. The Hungarians and Yugoslavs tried that, but it was not a very big success."

Mr Aganbegyan was openly contemptuous. "People haven't even thought yet, but they want something already," he said. "Let them first organise joint ventures and so on - it doesn't depend on Moscow now, and later we can think about the future."

He disliked the idea of closed economic regions and vigorously disputed the widespread popular perception that Estonia "gives away" 80 per cent of its production and gets nothing back. (Official figures, referred to by Mr Gorbachev when he visited the republic in February, suggest that, on the contrary, Estonia is a significant net beneficiary of *perestroika*, the leading exponent of *perestroika* at the All-Union level are clearly very suspicious of it for both economic and political reasons.)

Two of them - Mr Aganbegyan and Mr Nikolai Petrakov, deputy director of the Central Economic and Mathematical Institute of the USSR Academy of Sciences - took part in the Tallinn seminar, and I was able to ask them for their views. Mr Petrakov told me he was

There was a plan to make Estonia a closed economic region on the Chinese model, with few restrictions on private enterprise and trade

in earlier times.

One of the central ideas in the proposal is that Estonia should re-orient its production towards the international market, becoming a hard currency earner. Part of this hard currency would become Estonia's contribution to the Soviet budget, in which it would form a single item fixed by the Supreme Soviet on the basis of long-term forecasts. The residue would be kept by Estonia to finance its own imports.

Similar ideas are being discussed in Lithuania and Latvia,

Unhappily, while the project's authors are keen to present it as the logical extension of *perestroika*, the leading exponent of *perestroika* at the All-Union level are clearly very suspicious of it for both economic and political reasons. Two of them - Mr Aganbegyan and Mr Nikolai Petrakov, deputy director of the Central Economic and Mathematical Institute of the USSR Academy of Sciences - took part in the Tallinn seminar, and I was able to ask them for their views. Mr Petrakov told me he was

on it in the press had said that it was now "very important to talk also about political and national problems."

Mr Kallas and his friends were clearly anxious not to be labelled as nationalists. "I see no national problems in the air," he said, "they arise from unresolved economic problems". But there was an unmistakable undertone of nationalist resentment in many of their remarks. They told me, for instance, that 33-35 per cent of the population of Estonia is already Russian; and, although claiming that resident Russian intellectuals supported them, they stressed the need for immigration control.

They were also indignant about the way the August 23 demonstrations had been reported in the press, insisting that in Tallinn they were entirely peaceful and joined by some 1,500 people, mainly elderly. The main demand had been that the Ribbentrop-Molotov Pact should be published, and speakers had referred to the victims of fascism during the war (Estonia was occupied by the Germans from 1941 to 1944) as well as those of Stalin. Their own attitude to the national problem was carefully balanced. They pointed out that in 1940 the "bourgeois" government had handed over power illegally to the Soviet revolutionaries, but admitted that it had done so under duress, since Estonia was already occupied by units of the Red Army under the terms of the Molotov-Ribbentrop Pact. "They asked the Estonian people..."

Many Estonians, they added, regarded this as a tragic event, "but if we go back into the history of Estonia it has been able to solve this kind of problem." Its geopolitical situation did not permit that. "As in physics, great objects have a magnetic force," Estonia had been under Russian rule for two centuries before 1917, and its reversion to that status was probably inevitable: the real tragedy was that it had joined the Soviet Union in the time of Stalin.

What these young intellectuals claimed to want, with apparent sincerity, was not separatism from the Soviet Union, but a Soviet policy such that "everybody feels he belongs to this system". They saw *perestroika* as offering a last chance for Estonia to survive as a real national identity within the Soviet Union, and said that since Mr Gorbachev came to power the standard phraseology about Russians being the leading nation in the Union had been dropped.

'Many people have taken part in the debate - workers and scientists alike'

They clearly felt themselves to be Mr Gorbachev's natural allies, whereas they saw the official party establishment as paying only lip-service to him. "The nation supports Gorbachev," they said. But very few Estonian leaders and editors "did so sincerely. Such bureaucrats had attacked their project, but only in private, carefully avoiding any public debate. The problem of the Estonian Union, they said, was summed up in the famous Second World War slogan: "We can't go backwards, because backwards there is only Moscow."

Seoul, November 8 Laughing-stock of Korea

It is tough at the top for South Korea's leading businessmen, battered by protectionism in Washington, strikes by their workers and worries about world recession. As if that were not enough, they are now being held up to ridicule on state television.

The programme, a comedy sketch called "Chairman, my chairman", would probably be enjoyed by fans of "Yes, Prime Minister". It makes fun of the patriarchal management style practised by the heads of some of the biggest conglomerates. The sketch opens in the boardroom where several directors are jockeying for position as chief executive.

All listen raptly to the words of their boss until the phone rings and they are shooed away. "Are you smoking?" the chairman's wife demands. As if that were not enough, they are now being held up to ridicule on state television.

The audience, well aware that many senior South Korean men are at the mercy of their tough minded wives, guffaws.



"We thought of asking British Gas to supply us - but we couldn't risk a sudden price rise in the middle of the games."

Men and Matters

The board meeting ends with the chairman asking the directors' views on his latest plans. "Choi sumida," ("Right on, boss"), they reply in unison. The chairman then says he has become a joke all over the country, with children saying it to schoolteachers, and toddlers responding with it to orders from their mothers. So popular is the sketch that it has become a stage play which is about to tour the provinces. Omnisciently for the bosses, trade union groups are top of the list of sponsors.

State television has used its ingenuity in getting round the rules in other ways, also at the expense of businessmen. One programme, Gateway of Desire, tells the story of a rags-to-riches industrial magnate who clawed his way to power and wealth after the Korean war. Dynasty style, this show features the magnate's strong interest in beautiful women.

As the campaign grows to get the senior businessmen to change their ways to suit a more modern, democratic country, it will be interesting to see how long they can resist laughter. In this case, may be the best medicine.

Side dish

Few Koreans can survive happily for long, as the hostage recently released in Beirut found out, without regular infusions of kimchee, the spicy side dish which accompanies Korean meals. While it may not be exactly addictive, the combination of cabbage, chilli peppers, radishes, garlic and other spices, is considered essential for good health. But the need to make winter supplies of the dish all at once in a country of 43 million people causes a major headache every year for the Min of Ag and Fish.

In 1982, for instance, the Ministry arranged supplies of 1.6m

kilos of cabbage worth 333 billion won (\$403m at today's exchange rate) radishes worth 52 billion won, red peppers worth 158 billion won, and a total spending binge of about \$600m. Add another \$300m for the smaller North Korean population, and the November vegetable bill spending for the peninsula reaches nearly \$1bn, about \$60 dollars for every family. And that's before you even start the main course.

Venture capital

It was business as usual last week at Myongdong Cathedral, Seoul's Catholic seat and a haven for protesters against the government. Outside the church a small band of radical students pasted up wall posters and encouraged passers-by to help "overthrow the dictator". Nearby, squatters removed from their homes because of redevelopment and now housed in a tent city, contemplated the coming winter with gloom.

Inside the cathedral, a former prime minister, ambassador, government officials and financiers attended one of the society weddings of the year. It united the daughter of one of South Korea's leading stockbrokers with the son of an ambassador, one of the rising generation of young South Koreans joining foreign securities firms.

As they entered the church some of the younger guests were reminded of last June, when they left their video screens to walk down to the cathedral and join in the students' chants for democracy. That successful effort was followed this month by only a ripple in the Seoul stock market as the rest of the world crashed on Black Monday.

The crash coincided with the opening celebrations of two British securities houses, Hoare Govett and James Capel, who

have just been granted licences to open offices in Seoul.

James Capel decided to recognise reality by decorating its party with a giant ice sculpture of a bull and a bear, both eyeing the company logo. History does not record which sculpture melted first.

Hard pressed

South Korea is one of the few countries in the world where journalists are held in high regard. I am pleased to report. Four local colleagues have returned to the republic in February, capable of inspiring fear and trembling, especially in the minds of presidential candidates. The four are conducting in-depth interviews with the hopefuls. The score is currently two down and two to go.

Both Kim Young Sam, an opposition candidate, and Roh Tae Woo, the ruling party leader, have still to face the music, and aides report desperate efforts to prepare for the worst. The first two victims, Kim Dae Jung and Kim Jong Pil, have emerged from the questioning with their images blackened, their sincerity in doubt and their electoral chances weakened. South Koreans, so far, do not feel that they have the candidates they deserve, but their faith in the free press remains undiminished.

Polls apart

You do not have to be a radical student to get into trouble with the South Korean police, one US bank has found. Deciding to do a bit of research about December's presidential election result (still anybody's guess), it surveyed voters in several regions.

The bank was swiftly visited by officers of the security police who pointed out that opinion polls are banned. As the poll result pointed to a win for Roh Tae Woo, wags have speculated that perhaps the police are neutral after all.

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Observer

SIR RONALD DEARING'S retirement will not be a quiet one. When he stepped down as chairman and chief executive of the Post Office at the end of September, he had already breathed a sigh of relief to be retreating from the public gaze. But the respite will be short-lived.

Sir Ronald has accepted one of the hottest seats in the City, presiding over the first major review for nearly 20 years of the ground rules that govern financial reporting - a subject central to the regulation of the corporate sector.

His official job is to review the way that accountants' rules - the technical accounting rules which govern how accounts are drawn up - are set, monitored and enforced. The Accounting Standards Committee (ASC), which was established by the main accountancy bodies to set standards, is no longer up to the job, say its detractors - and some of its members.

It is more than just a technical problem for the accountancy profession's backroom experts. At stake is the quality of financial information published by companies - affecting shareholders, employees and regulators.

Reported figures, the critics say, are open to many kinds of manipulation by unscrupulous managers and auditors. They are little about it. Accountants and interested observers want a tougher system with clearer rules.

"There is a marketplace of consumers who would like profit to mean something similar from one company to another," says Graham Stacy, a Price Waterhouse partner and member of the ASC.

"I don't think we should wait until there is a series of major corporate scandals before doing something about it," says Walter Reid, professor of accounting at the London Business School.

Expert readers of accounts claim that they do not understand, as long as the financial facts about listed companies are available somewhere and in some form, the stock market will not be misled.

But markets are not perfect. "Not even the hardest-line person would say that there aren't occasions when the market is misled," says Paul Marsh, also of the London Business School.

There are reasons for keeping profits up which have nothing to do with a company's share price. Managers' bonuses are often tied to reported profits. Companies' ability to borrow may depend on ratios calculated from the figures in its accounts.

Conversely, there may be reasons for understating profits. A company with a large market share, or in a protected industry, may be in danger of having the heads eyes of consumer groups and regulators turned upon it if it appears to make too

Accounting standards

A time to get tough

By Richard Waters

much money. Or it may simply be averse to attracting the Revenue's attention.

But the greatest demand for consistent accounting stems from the fact that there are now 5m shareholders in Britain. It is politically vital that the figures in the annual reports they receive by law actually mean something. There are many users who do not spend their lives taking accounts apart and putting them back together again,

says David Damsant of the Society of Investment Analysts. Three accounting issues have highlighted flaws in the system. The first was the rejection by companies of a rule which required them to show the effects of inflation on their figures.

Rumblings for the past 12 years, the debate has exposed embarrassing weaknesses in the standard-setting process.

Years passed before the accounting profession agreed on Statement of Standards 1 Accounting Practice 16, which required companies to provide figures adjusted to current costs. Companies then voted firmly with their feet by not following it.

The second contentious issue concerns takeovers and mergers. Virtually all accountants agree that the standards which regulate this area have been drafted too loosely. The subject is important enough to have been included in the Department of Trade and Industry's (DTI) review of competition policy.

Auditors hint darkly that companies understate the value of assets acquired in takeovers - though it is impossible for readers of accounts to tell if this is the case. The understatement reduces the amount of depreciation that has to be written off against profits in future years.

Guinness set a new standard in disclosure in last year's accounts by giving rare details of the value

it placed on the assets it acquired from Distillers. Such disclosure could become standard, following a review by the accountancy profession.

Yet Guinness does not keep the purists entirely happy: it disposed of £1.4m of goodwill arising in the Distillers takeover by exploiting a legal loophole allowing companies to write off goodwill against their share premium account. If this route had not been open to Guinness, it would have had just £200m of reserves against which to write off goodwill.

Other £1.1m would have had to be written off against future profits.

The Guinness approach - which was also followed by Hanson Trust in its acquisition of Imperial - is likely to be outlawed, following a DTI investigation of takeover accounting.

The third area of concern involves off-balance sheet finance - the practice of artificially removing liabilities from balance sheets. One way of doing this is to leave a subsidiary out of the consolidated accounts by technically taking away its status as a subsidiary.

A majority of the shares, for instance, could be sold to a merchant bank, to be bought back at a later stage.

In the most celebrated case to date, mining group Burnet & Hallamshire revealed that shareholders' funds of £108m turned into a deficit of £4m in 1985, thanks to the losses of a subsidiary previously kept out of the accounts.

By its nature, the use of off-balance sheet schemes is difficult to detect. A glance at the accounts of merchant bank Hill Samuel, though, may give an idea of the extent of their use.

The bank records that on March 31 this year, it was technically in control of 29 companies which were consolidated in its accounts. Hill Samuel's in-



terest in these companies is confined to nominal capital, it said.

These are likely to be subsidiaries of its clients that it had agreed to 'take over' to clean up the clients' balance sheets. The bankers, naturally enough, do not want to include these hidden subsidiaries on their own balance sheets.

In one such deal, merchant bankers Morgan Grenfell took 48 per cent of the shares of the Storehouse subsidiary Richard Shops in 1986, leaving Storehouse with another 48 per cent.

Technically, neither 'owned' the company, so it appeared in neither's balance sheet. Richard Shops was subsequently 'bought back' by Storehouse.

Burton found another way of improving the look of its balance sheet in 1986. It sold and leased back £100m of property to a 50 per cent-owned associate, Hall & Sons - taking £100m of debt off its balance sheet.

The accountants' argument that in substance the company remains a subsidiary, regardless of the legal form, has met with short shrift from the legal profession. The ASC is now casting around for another way of tackling this and similar abuses.

Writing complex legalistic rules on accounting to circumvent the lawyers is not a course it wants to follow, but there seems no other option under the present system.

The standard-setters' woes look set to multiply with the rapid development of financial instruments. Three problems arise from:

1 Deep-discounted bonds. Less than 10 per cent interest is paid on bonds issued at a heavy discount to face value. This means that the borrowers' profits are not hit each year by the interest cost. The real financing charge, the debt, will be written off at the outset against reserves.

In September, property group Greycoat drew attention because of its accounting treatment of a deep-discounted issue which won the approval of its auditors, Arthur Young.

It wrote off the discount to its share premium account, leaving reported profits for future years unaffected by the cost of the borrowing. This approach, which is within the rules, is likely to become more common.

2 Warrants. Bonds which are issued with warrants giving the right to buy shares at a later date present a similar problem. Part of the 'cost' of the debt is its warrant.

3 Stepped bonds. The interest rate increases over the life of the bond. This means that profits in the early years are protected from interest costs.

Observers both inside and outside the accountancy profession now want a standard-setting body with more independence, more cash and more ways of making sure its rules are followed.

The independence question is the most urgent. Accountants' members of the ASC have an axe to grind. It takes a 75 per cent majority on the committee to bring in a standard. And accountants feel uneasy with their dual role as auditors and standard-setters.

The ASC is also hampered by being tied to the apron strings of the accountancy bodies, which set it up and finance it. It does not have the power to issue standards, but must put its proposals to each accountancy body for approval.

The second need - more cash - is one that ASC chairman Michael Renshaw strongly supports. On its £230,000 budget it maintains just four full-time employees. More cash would enable the committee to operate with a larger team of technical experts. The Financial Ac-

counting Standards Board, the US equivalent, is the model to which most look with envy.

The third and most difficult issue involves enforcement. The creaking edifice of standards has been supported so far by a complex web of forces based mainly on the ethical rules of accountants and common consent. It needs reinforcing.

Most company directors, and even a large number of finance directors, are not accountants and do not always feel bound by rules made by and for accountants. The accountancy bodies can reprimand only their own members.

Auditors do not refer to a deviation from standards in their reports to shareholders unless it undermines the truth and fairness of the accounts - a step that few are prepared to take, given the highly damaging effect of such a report. A recent dispute over accounting issues between Sound Diffusion, an electrical equipment group, and auditors Ernst & Whinney is a rare case: the company has now changed its auditors.

Regulators have taken a back seat. The DTI, while concerned about accounting standards, has shied away from suggestions that it should put legal weight behind them. And the Stock Exchange claims it can do little to force compliance, since the only sanction at its disposal is to delist a deviant company - a move that would damage the interests of shareholders.

The US Securities and Exchange Commission is not so faint-hearted. It refuses to accept accounts for listing if they do not conform to generally accepted accounting principles. Accountants hope that Sir Ronald Dearing's review will recommend similar short shrift for companies that ignore accounting rules in Britain.

Lombard

The ethics of workfare

By Michael Prowse

AT the Tory Party conference earlier this year, Mr Norman Fowler, the Employment Secretary, won an ovation for a speech that promised legislation to crack down on youngsters who refuse places on government training schemes. Mr Fowler, along with most of his Cabinet colleagues, believes that the 'refuseniks' should be denied social security benefits: the young should be prepared to work, train or go hungry.

Such legislation is likely to be only the thin end of a 'workfare' wedge which could transform Britain's approach to welfare. Many on the right are convinced that a policy of paying people to do nothing has fostered a 'culture of dependency'. They argue that workfare principles should be applied much more generally: in other words, able-bodied welfare recipients of all ages should be required to work or train.

The concept of workfare originated in the US. In the 1970s, Ronald Reagan, then governor of California, decided that welfare recipients should be compelled to 'work off' their benefit payments. The Reagan scheme was a flop because only a tiny proportion of welfare recipients were enrolled on compulsory work projects. But it helped change the climate of opinion. Legislation was passed in 1981 giving all states the right to require some welfare recipients - often female single parents living in poverty - to work for their benefits. A number of schemes have been set up in different states, but the idea has yet to catch on in a big way. It is workfare something that could flourish in the UK? Could it become as central to Thatcherism as tax cuts, sound money and privatisation?

Some on the libertarian right are confident it could. Mr John Burton of the Institute for Economic Affairs, for example, argues that workfare could take in people out of long-term unemployment over the next three to five years, at a cost to the Exchequer of only around £250m a year. Other enthusiasts, such as researchers at Liverpool University, contend that workfare could both crack the problem of long-term unemployment and save money. Workfare would work, as Mr Burton candidly ad-

mits, by 'exerting downward pressure on wages': in effect a batch of people currently unwilling to work at existing wages would be forcibly shoved into the labour force. The net cost would depend upon the balance between two factors: the number of workfare places taken up and the cost to the Government of each place.

The number of required places is highly uncertain. It would depend on how many people are scared off the unemployment register by workfare rules. The cost per place would depend on the Government's generosity. A workfare place must cost more than the passive payment of benefit because of incidental expenses such as the cost of materials and equipment, the cost of travelling to work and administrative overheads. Workfare would save the Exchequer money if the extra cost of each job were more than offset by a decline in the number of claimants following the introduction of the tougher rules. Mr Burton, almost certainly correctly, judges the unlikely; indeed, he is sufficiently conscious of the cost problems to recommend that the UK 'keep to workfare projects of the relatively cheap variety'.

The UK could certainly afford workfare in the strict accounting sense. Given the scale of tax cuts planned over this Parliament, we could clearly afford the much more generous 'job guarantee' schemes proposed by the Charter for Jobs. The important issue is not money but ethics. Somebody who accepts the morality of a socialist 'command' economy can advocate workfare with a clear conscience. It is obvious to him that individual citizens must accept the work they are allocated or starve. But nobody, surely, who believes in personal freedom can take this authoritarian line.

In a civilised democracy, people ought to be free to choose whether they want to work. They should not be forced to 'do their bit for society'. The Government must do all it can to create work opportunities and incentives. It must continue to counsel refuseniks of all ages. But it surely should not seek to eliminate their freedom by taking away their right to an unconditional subsistence income.

Big Bang's good news

From Mr James Sandilands
Sir, The anniversary of Big Bang has given rise to a good deal of comment, implying that while the institutional investor has benefited from all the changes, the private investor has suffered.

In our experience at Buckmaster & Moore, these comments are not justified. Our clients' companies, fund management for both private clients and institutions and private client stockbroking, Big Bang has been good news for our clients.

It has freed us from restrictions which were not generally in our clients' interests. For example, we are now able to buy the best research in the City. This, together with our own internal resources, has allowed us to obtain the best, up-to-date, research information on every sector of the UK market. Extra resources - not available to us pre-Big Bang - can only improve the ability of our fund managers to take good decisions. Secondly, as a common with institutional investors, private clients have enjoyed 'closer' dealing prices since Big Bang.

Thirdly, private clients now have a far greater range of services on offer. Big Bang and regulation have forced stockbrokers to categorise their services. Private clients now know much more precisely what service they should be getting and what it will cost.

Fourthly, private clients are protected not only by the Stock Exchange Compensation Fund, as before Big Bang, but also, if they choose to deal with one of the larger firms, they have the additional protection of the resources of a financially strong parent company - in our case Credit Suisse. It is true that 'cheap execution' services have yet to become cheap, but SAE and other developments will mean they become a reality before long.

Letters to the Editor

In every other area, the choice and degree of service available to private investors has improved since Big Bang. James Sandilands, Buckmaster & Moore, 80 Cannon Street, EC4.

Employee share ownership

From the Deputy Chairman, the Wider Share Ownership Council.
Sir, I was sorry to learn (November 3) that Mr Bryan Gould favours collective share ownership for employees. This puts them back in the nursery, presumed incapable of looking after their own assets. It also underlines the need for moving ahead rapidly with employee share ownership on an individual basis.

At present, about twice as many companies have executive share option schemes as general employee share schemes and the Wider Share Ownership Council is persistently advocating linking the two. That the tax position is better for management who also operate a general employee share scheme. During the summer we conducted a poll and found that 67 per cent of the companies responding, who either have already or are introducing share schemes, favour this idea.

To appreciate how it could operate, one has to look at the three tiers of popular capitalism in a consumer democracy, where the customer is king or queen, there are:

Firstly the entrepreneurs who develop new ways of serving her and if successful, build capital worth 100 to 1,000 times their pay.

Secondly there are the top managers who succeed to the responsibilities of the entrepreneurs and it is pernicious to worry about whether they are granted options worth four or six times their pay, provided these are triggered by company performance, which the Investment Commission now requires them to be.

The proposed linkage could work on the following lines, to encourage bringing in the third tier, the other employees. Total options held by an individual manager at any time under an approved scheme would be three times pay unless the following conditions applied, when they could be six times pay: (a) options worth no more than three times pay have been granted in the previous three-year period, and (b) a general employee share scheme, either existing or approved, is in place.

There is no particular magic in the figures three and six, but they fit the two holding periods of three years in the present legislation, which are conditions of tax relief. Also those managers who already have options worth four times pay - the present limit - would not have to wait long before being able to operate the new arrangements.

George Copeman, Juxon House, 24 St Paul's Churchyard, EC4.

US Presidential candidates

From Mr W. Grey

Edward Mortimer (October 27), in bracketing America's relative decline in economic power together with an apparent dearth of US presidential candidates, rather lightly dismissed, among other things, the separation of powers as a possible explanation of the latter phenomenon.

Under that doctrine, an American president is, of course, not only debarred from membership of Congress, which may in fact, in one or both houses, be ruled by a hostile majority. He also need not have won his spurs in the political arena, rather than in, say, the law or the armed forces. While this widens the field of choice well beyond the legislature's confines, it also makes candidates possessing 'presidential timber' think twice before entering what is, with resulting penalties, a doubly gruelling race for a potentially frustrating office.

Obviously, a radical amendment of the venerable US constitution, rendering this conceivable, would not halt, let alone reverse, America's relative economic decline. But it might at least make the holder of the US presidency a less lonely and, for all his powers, a less helpless figure.

W. Grey, 12 Arden Road, N2.

Creating meltdowns

From Mr Paul Hewitt

Sir, I do not understand the concern about the interaction between portfolio insurance and the investment strategy of funds employing portfolio insurance is to reduce their exposure to the equity market as prices fall. Underlying the policy is the only way to implement this policy is to sell stock. Now funds can sell index futures - to arbitrageurs who sell the underlying stock. The stock is the same, it merely takes two steps instead of one.

'Meltdowns' are a consequence of substantial funds following the strategy of continually reducing their exposure to the equity market as prices fall. They are not the consequence of a particular method of implementation.

Paul Hewitt, Camshill Lodge, 10 Chaucer Avenue, Weybridge, Surrey.

They could rescind their proxy vote.

Associated British Foods have, sensibly, postponed their EGM so that their recommendation of approval for the bid for S & W Serford is delayed. This is to enable them to more fully consider the turmoil in the markets. It is a pity that Sir John Read and the board were not moved by the same sentiment expressed by the TSB shareholders present at the EGM. It is certainly astonishing (and indeed alarming) that they were surprised by the expression of such sentiment.

Mrs W. M. Gibney, 9 St Johns Court, Beccles Road, St Albans, Herts.

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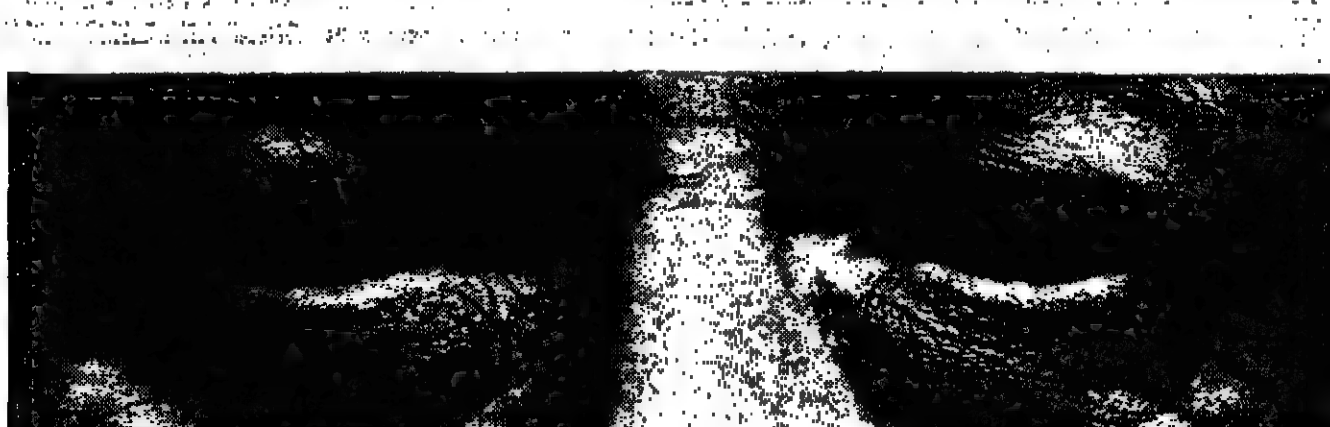
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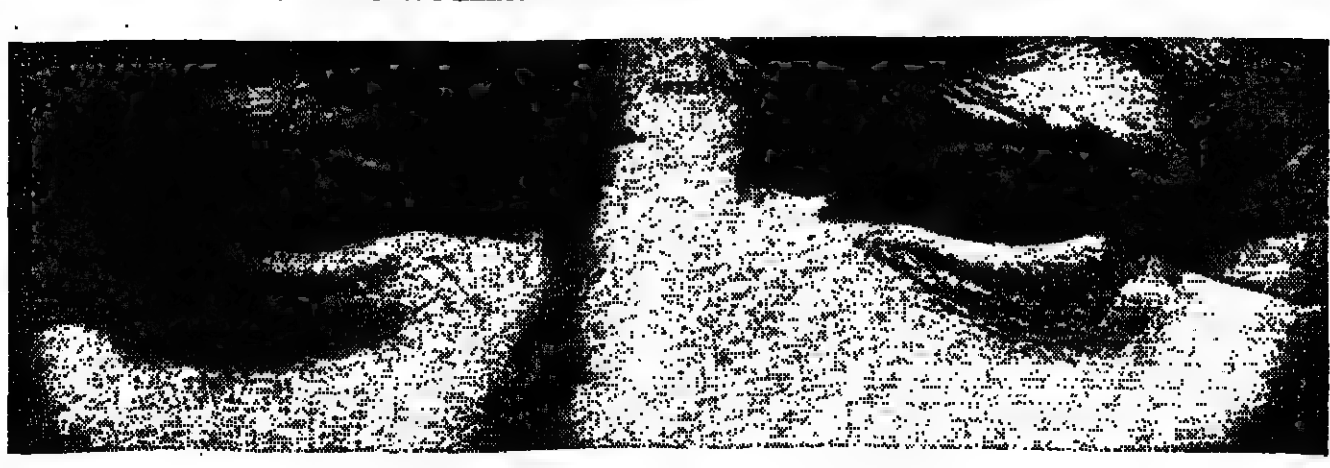
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From Mrs Wendy Gibney
Sir, As a private shareholder in TSB, who was present at last week's extraordinary general meeting, I am grateful for your front page reporting of the event (November 3).

Certainly, as Mr Bunker commented, TSB's board were surprised by opposition to the bid which was so vehemently displayed by shareholders present. I would like to comment on some of the reasons for this opposition to the bid and the extent to which these are logical and not just an emotional reaction to the recent market fall.

First, at the time the bid was launched City analysts thought the offer very generous - now the offer is probably more than

£200m above Hill Samuel's intrinsic market value. Second, even without the bid, the profitability of TSB's own fund management operation would be vulnerable to a prolonged stock market fall. A successful bid would increase that exposure.

Third, it is still open to question whether the potential price which may be obtained for Wood Mackenzie, the subsidiary it is proposed to sell off, is at the level which might have been expected before the market dropped.

The argument of the TSB Board is that the takeover is still in the long-term strategic interests of the TSB group. Further, they regard the recent market events as a temporary

phenomenon. However, most of the shareholders present at the EGM would have been content with a simple three-week postponement to assess the market position more closely. As you reported, this would therefore seem both a logical and sensible business decision.

The crux of the matter seemed to rest on the proxy votes held by the Chairman, Sir John Read, which he felt enabled him to oppose the motions from the floor calling for an adjournment. Although these proxy votes were posted after the start of the crash it is very much open to question whether shareholders had had sufficient time to consider the implications of the market movement or indeed knew that

they could rescind their proxy vote.

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Rod Oram on
Wall Street

ITT pulls the plug on Carpenter

ITT Topples President' is the sort of headline many people still expect to read about the sprawling conglomerate which after the Second World War came to embody the sinister side of US multinationals.

To many Americans, ITT has become a three-letter symbol for corporate subterfuge and raw power. The New York Times wrote at the height of the company's involvement in the squalid side of the Nixon Administration.

But the company has changed in the 1980s and now only its shareholders, not American voters, need to be concerned about its actions. Corporate subterfuge is still at work, it seems, but the president ITT leased last week was its own, Mr. Edmund Carpenter.

Quite what went on inside ITT's Park Avenue headquarters is still something of a mystery but Mr. Carpenter, aged 45, was suddenly shown of his powers as chief operating officer. It is thought likely he will be carrying an empty presidential title and will quit ITT soon.

Wall Street was taken aback. Mr. Band Araskov, 55, chairman and chief executive since 1979, had indicated Mr. Carpenter was his heir apparent when he appointed him president and chief operating officer in July 1985.

Through the 1980s, most effectively in the past two years, Mr. Araskov has slimmed down and brought greater cohesion to the huge corporation he took over from Mr. Harold Geneen, the legendary conglomerator and master acquirer.

Although he joined the group only in 1981, Mr. Carpenter had rapidly made himself highly visible as a strong, hands-on executive skilled at fixing or selling ailing businesses. Graced with social and political skills, Mr. Carpenter had risen meteorically. He was speaking his mind increasingly and becoming highly visible and liked on Wall Street.

"He increased the credibility of management. His departure is a negative for shareholders," said Mr. Thana Young of Shearson Lehman.

Some in ITT thought Mr. Carpenter was ousted because he had become too useful and prominent. There was an echo from the twilight of the Geneen era when Mr. Lyman Hamilton, briefly ITT's chief executive, was thrown out by Mr. Geneen in 1978. Hamilton showed his muscles too much. Geneen didn't want a really charismatic guy, a fellow executive said at the time.

Another theory last week was that Mr. Araskov had become impatient with Mr. Carpenter's efforts to turn around ITT's defence business. Even though he was rectifying its failures to meet some Pentagon price and performance specifications, its earnings fell 61 per cent in the third quarter on slightly higher revenues.

It was a bad blemish on ITT's otherwise sparkling results. Net profits had risen 67 per cent to \$120m on sales up 12 per cent to \$4.8bn. At last, Mr. Araskov said, Mr. Geneen had acquired 275 companies in 20 years. Mr. Araskov has sold more than 100 in eight years and slash the global workforce to 123,000 from 248,000. Its main activities now include insurance, finance, defence, car parts, electronics, fluid technology and telecommunications.

This was not what Mr. Araskov originally intended. He wanted to turn ITT, which started in 1920 as the US Virgin Islands telephone company, into a pre-eminent global telecommunications manufacturing and service company.

Several things derailed the plan - such as System 12, a costly and fruitless effort in digital telephone exchanges. Mr. Carpenter finally persuaded Mr. Araskov in early 1986 to abandon the badly managed System 12 project after it had eaten up more than a \$1bn in development money.

Since then, Mr. Araskov has sold or spun off into joint ventures virtually all of ITT's telecommunications activities. Notable initiatives included the formation of Alcatel, a joint venture with CSE of France.

While these efforts have generated soaring profits, a healthy balance sheet and applause from analysts, investors have remained cool to the company. Despite its recent performance it is still for many a company that's continually going to disappoint you however low your expectations are, said Ms Theresa Gusman of Salomon Brothers.

Its shares are trading at a 60 or 70 per cent discount to asset value, at close to book value, making it vulnerable still to the corporate raiders it fought off several years ago. Although a big increase in dividend, expected to be announced at a board meeting tomorrow, will help improve ITT's image with its shareholders, the topping of Mr. Carpenter has not.

Francis Ghiles in Tunis analyses Mr Ben Ali's peaceful takeover of power

Tunisia's 'father' runs out of time

AS BEFFITS a man with a military background, Mr. Zein El Abidine Ben Ali is discreet and well organised. Both qualities served him admirably during the five weeks he was prime minister of Tunisia.

The decisiveness which he displayed after the riots of January 1978 and the bread riots of January 1984 also ensured that last Saturday's removal from office of Mr. Habib Bourguiba, the country's 37-year-old head of state, on grounds of ill health was carried out with speed and efficiency.

Yesterday, armoured vehicles sealed off Carthage Palace, the president's official residence. In the centre of Tunis, however, there were no police reinforcements.

Most Tunisians who are openly expressing their relief at the departure of Mr. Bourguiba regret that their former leader, who was for many years a politician of stature, did not choose to hand over the reins earlier.

When asked three years ago what was the major problem confronting Tunisia, Mr. Bourguiba Jr, the president's son who has held senior posts in the country since 1967, simply sighed: "My father should have given up years ago."

The change was also welcomed by Tunisia's neighbours, Algeria and Libya and by France, Spain and Italy.

The decision to remove the president is believed to have been taken in consultation with the leaders of the ruling Socialist Destour Party (PSD), the government and the general staff.

For more than half a century, Tunisia's political life has been dominated by the personality of Mr. Bourguiba. Tunisia today owes much of its economic and social progress since gaining independence in 1956 to his consummate political skills.

Rare among Arab countries, it has enjoyed a period of political stability which has not involved the armed forces - until now. But the initial indications from the new president are that he wishes to continue the reformist path which Mr. Bourguiba pioneered.

Mr. Bourguiba, who became president in 1957 after deposing the last day of Tunis, admired many things French and American.

Some in ITT thought Mr. Carpenter was ousted because he had become too useful and prominent. There was an echo from the twilight of the Geneen era when Mr. Lyman Hamilton, briefly ITT's chief executive, was thrown out by Mr. Geneen in 1978. Hamilton showed his muscles too much. Geneen didn't want a really charismatic guy, a fellow executive said at the time.

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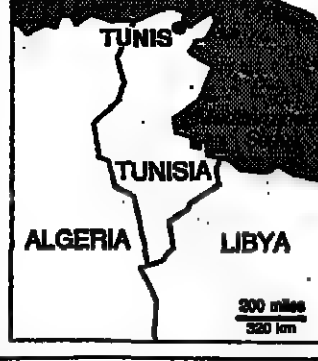
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Mr. Habib Bourguiba (left), who was deposed as Tunisian president on Saturday, remained yesterday at Carthage Palace, the official residence of the country's head of state. The Prime Minister, Mr. Hedi Baccouche, said in a radio interview, giving the first official word of the former leader's whereabouts that Mr. Bourguiba had been visited by friends and relatives and that he might be moved to a retirement home in the southern town of Sfax.



can and was not ashamed to say so. He provided the driving force behind the efforts to modernise a small country which boasts few natural resources - a modest quantity of oil and phosphate, little fertile land and meagre water supplies. He sought to modernise the message of Islam and went so far as to argue that economic development should be looked on as a jihad (a holy war).

Although he failed on that point, he granted his countrywomen a greater degree of emancipation than in any other Moslem country.

His pragmatism in domestic affairs was reflected in foreign policy. Hard-headed moderation did not make Habib Bourguiba popular among his Arab peers. In 1965 when he suggested that Israel was a country with which the Arabs would have to live, he was pelted with eggs and his views were somewhat overshadowed by the crusading rhetoric of President Nasser, the Egyptian leader.

The bombing by the Israeli Air Force of the Palestine Liberation Organisation (PLO) headquarters in Tunis two years ago came as a deep insult, all the more so because of President Ronald Reagan's initial endorsement of this action.

President Bourguiba gave full support to the Algerians in their struggle for independence from France and remained unconvinced that Colonel Gadhafi of Libya would ever change his ways.

Tunisia under his leadership has been steady in its alliance with France and the US, and more recently Algeria. Overall it has been a factor of stability in a turbulent region.

The events of last Saturday are not a worthy exit for a statesman of such stature. They became increasingly inevitable, however, as Tunisian political life sank into a morass of petty intrigue and the former head of state's megalomania increased to a point where senior members of the establishment felt that the future stability of their country was at risk.

The army surrounded the presidential palace in Carthage 4am Saturday morning, in a declaration later read on Tunis radio, the new president paid homage to his predecessor but said that old age had made him incapable of carrying on his duties.

Mr. Zein El Abidine Ben Ali said he would seek a revision of the constitution because he argued that "the times in which we live do not allow someone to be elected president for life."

He will also promote new bills to parliament, where even deputy is a member of the PSD. This would allow the creation of other parties and greater freedom of the press. Although opposition parties such as the Movement of Social Democrats and the Communist Party have been tolerated since 1981, they have found it virtually impossible to function.

Mr. Zein El Abidine Ben Ali, 51, was trained in both French and US military schools and occupied the post of director of military security for 16 years to 1974. He has the rank of general.

In sharp contrast to the Tunisian political class and to his predecessors, he is not given to displays of verbose speech. He has proved himself a true law-and-order man but when the state prosecutor requested

90 death penalties at the end of a major trial of Islamic radicals last September, Mr. Zein El Abidine shared none of the former president's taste for revenge. The verdict, which only condemned two of the defendants to be hanged, enraged the former head of state who was also badly upset by the verdict passed against Mr. Rashid Al Ghannouchi, the leader of the Movement of the Islamic Tendency, the largest radical Islamic movement who was condemned to hard labour for life.

The new president has neatly laid to rest the "father" of the modern Tunisia who had all but confiscated the modern history of North Africa's smallest country. The megalomania of the former president, his increasingly erratic behaviour, his penchant for insulting his ministers in front of guests made the events of last Saturday virtually inevitable.

Mr. Mohammed Sayah, a senior minister for many years, is also under arrest. Apart from writing a modern history of Tunisia which bore more relation to the Kremlin's version of events than reality, Mr. Sayah was active as the head of the PSD throughout the seventies in encouraging the radical Islamic groups.

Thanks to a high quality civil service, to certain ministers who managed to carry on despite the intrigues of the presidential palace in Carthage, to the political maturity of many Tunisians, the country has avoided sinking into civil strife.

By the same token, the hopes invested in the new head of state are immense. Every Tunisian knows that continuing austerity and liberalising the economy is going to be painful.

By Laura Froom in Amsterdam and David Thomas in London

Dispute over independent West European space station looms

By Peter Marsh in London

DISAGREEMENTS over the possibility of building an independent West European space station, ahead of a planned agreement with the US, will dominate a two-day meeting on European space policy which starts today in The Hague.

Ministers from the 12-nation European Space Agency will decide whether to increase the agency's spending from \$1.7bn to about \$2.5bn by 1992.

The bulk of the planned increase would be spent on three projects, the Columbus manned laboratory, the French-inspired Hermes manned spacecraft and an improved launch vehicle called Ariane-5.

Columbus and Hermes, which could cost up to \$600m by the end of the century, are likely to be the most contentious.

Both are linked to a grandiose international scheme, promoted by the US, to launch an

orbiting base for scientific experiments in the 1990s, with the leading industrialised nations sharing costs. The US intends contributing roughly two-thirds of the estimated \$2.6bn bill.

While the ESA is due to plug into the main US core of the celestial structure, Hermes would give Western Europe the capability to take astronauts to and from the base independently of US launch vehicles.

An agreement between the US and the ESA nations over the joint space station is still not signed, in spite of two years of negotiations.

Some ESA officials, backed by France, say that Western Europe should go ahead with Columbus, even if it fails to reach an understanding with the US.

On this basis, Columbus - serviced by Hermes, a small vehicle which would enter orbit on top of an Ariane-5 rocket - could

form a small but autonomous West European space station which would be ready early next century.

Britain, which in recent weeks has campaigned against what it says is an ESA plan to develop a new space station, is likely to oppose any bid to proceed with Columbus ahead of an agreement with the US.

The UK also wants ESA to abandon for the immediate future the development of Hermes, which it says is too expensive and technically unproven.

The UK position, however, has been considerably weakened by West Germany's decision on Friday to give outline backing for the French proposals on Hermes, albeit with the caveat that the project should be re-examined over the next three years.

This would not be based on technology, but would involve developing new channels in the UHF range.

One proposal being considered is that operating companies should be set up in each country, with a majority stake held in the operating company by that country's domestic public and a minority stake held by the three other countries.

The UK faces a particular problem in working out how it would participate in this inter-service because the Government, through its liberalisation programme, has encouraged a variety of new competitors - now numbering seven - to British Telecom, the dominant paging operator.

Philips and Sony design new CDs

By Laura Froom in Amsterdam and David Thomas in London

PHILIPS of the Netherlands and Sony of Japan, joint developers of compact-disc (CD) technology, have agreed on basic specifications for a new system that can record music or data.

The CD write-once player will allow a single digital recording on a blank 12cm disc, which can be repeatedly played but not erased and re-recorded. Until now, compact disc players could use only pre-recorded commercial material.

The Philips-Sony development is an important step in optical disc technology towards a system capable of erasing and re-recording compact discs.

Such a re-recordable system would compete with digital audio tape players, the new music medium developed by the Japanese which allows recording of the same high quality as the CD and which Philips has yet to introduce for fear of eating into its CD sales.

However, BIS Macintosh, a UK-based market research consultancy, believes that a write-once CD player, such as that announced by Philips and Sony, will have only a limited market and that digital audio-tape players will have become better established through price reductions before a re-recordable CD player is developed.

The Philips-Sony CD write-once system will be aimed mainly at the professional market, notably the storage of information for computers and in audio recording. The equivalent of about 75,000 pages of information on A4-size paper or 60 minutes of sound can be optically recorded.

CD write-once systems are to be ready for licensing by early next year, the two companies said.

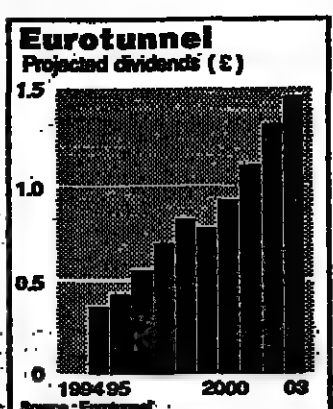
delay naming a candidate until files have been searched and backgrounds cleared. There were also signs that the Administration might be moving away from the confrontational stance it took with both Judges Ginsburg and Bork.

The end for Judge Ginsburg's nine-day nomination campaign after he was nominated on Friday by Mr. William Bennett, the Education Secretary, and advised to withdraw. Mr. Bennett had first talked to the President, who was publicly defending Mr. Ginsburg but approved the telephone call.

THE LEX COLUMN

Queueing up for Eurotunnel

The Chancellor of the Exchequer went to some lengths, in his Mansion House speech last week, to compliment the City of London for the way it had coped with the recent turmoil in the world's financial markets. While this kind of thing doubtless went down well with his audience, the City's reputation as an international financial centre faces an equally daunting test with the forthcoming £700m (\$1.3bn) flotation of the Eurotunnel project. A successful issue would greatly enhance the City's ambition to rival New York and Tokyo as a place where mega-projects can be financed, while a flop would only confirm suspicions about the short-term time horizons of British financial institutions.



Undemanding

The sums to be raised are relatively small. UK investors are required to put up no more than half the £700m, which is less than 5 per cent of the BP issue. But if the money is not raised, one of the world's biggest construction projects will have to be abandoned. Its bankers, which are financing the vast bulk of the £200m total cost, have already accepted an abnormally long payback period for their loans, which has frightened away almost all the major US commercial banks and London's merchant banks. So it is now up to the investment community to demonstrate that it is prepared to shoulder its share of the risk.

The record to date is not encouraging. Eurotunnel's first major equity funding exercise in October 1986 was an embarrassment. Since then Eurotunnel's management has been strengthened, the political risks have been largely eliminated and the stock exchange quotation for Eurotunnel shares should go a long way to meeting any reservations major investors might have about liquidity. But there remains very real worry over whether investors will be attracted into a highly geared project which has yet to be built, and will not pay its first dividend for another seven years at the earliest. In addition, the recent collapse in worldwide equity prices and the launch of an advertising campaign by Flexlink, the anti-Eurotunnel lobby which is intent on proving that the project is doomed to financial failure, will have clouded the issue's prospects in the minds of many investors.

Eurotunnel's promoters have produced a prospectus which, if it is anywhere near correct, offers first-time investors the opportunity to participate in a project with incredible financial returns, and enjoy travel perks which are almost as valuable as the estimated £2.50 per share offer price. By mid-1995, when the tunnel should have been operating for a couple of years, Eurotunnel estimates that the value of its shares could have risen sevenfold to around £24. It arrives at this figure by projecting the dividend over the 25-year life of the concession and discounting them back at an annual rate of 12 per cent. According to Eurotunnel, it could be paying a 30p dividend in its first full year of operation, and the payout rises rapidly thereafter as borrowings are paid off or refinanced at lower rates. Flexlink argues, though, that far from making a profit in its first year of operation, Eurotunnel will report losses for 17 years, and will not be able to pay its first dividend until 20 years after flotation.

Admittedly, this is the bullish argument. If the project's fate is left solely to the whims of UK institutional investors, it might never get built. But the offering of valuable travel perks has aroused the interest of the individual investor, and evidence of substantial participation by the small shareholder should bolster the confidence of the underwriters. Unlike other new issues where the small investors take their profits and run, Eurotunnel could have an unusually stable long-term shareholder base. Ironically, the recent collapse in share prices could work in Eurotunnel's favour. A month ago a 17.7 per cent gross dividend yield over the life of the project did not look very exciting. These days, it has definite attractions.

Valuation

Given the vested interest of Flexlink's ferry and port operator members, its conclusion should be treated with a great deal of reserve. But there are real problems in putting a value on Eurotunnel, and the only thing that can be said with any certainty is that Eurotunnel's profit and dividend projections are wrong. They are either too high or too low. Any investment decision is complicated by the fact that for the first seven years, Eurotunnel is a relatively high risk "start-up" project. It will, therefore, take eight years before investors have a clear view on whether it is the safe

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NCNB Corporation is America's 16th largest bank holding company and the biggest in the fast growing South-Eastern United States. In 1986, NCNB had assets of US\$27.4 billion, primary capital of US\$1.7 billion, and after tax profits of US\$199 million. Panmure Gordon Bankers Ltd will be the largest subsidiary of NCNB outside the USA.

The name change follows the full acquisition of Panmure Gordon & Co Ltd by Carolina Bank Ltd on 8th May, 1987, and underlines NCNB's commitment to its UK operations.

Carolina Bank Ltd was established in 1978, concentrating on specialised products for corporate clients. The acquisition of Panmure Gordon & Co Ltd gives it effective entry into a diversified range of financial services.

Panmure Gordon & Co Ltd will continue to act as an agency stockbroker offering services in corporate finance, equities and fixed interest distribution, research, private clients and investment management.

For further information:

Bernard A. Furlonger, Director, Carolina Bank Limited, 26 Austin Friars, London EC2N 2EH

Telephone: 01-628 4821

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World Weather

Alonso	12	10	Partly	London	12	10	Partly	Madrid	15	12	Partly
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My golden bell has a poison pill.
They won't let me keep my
Secretary from...
Senior Secretaries
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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Monday November 9 1987

Fletcher King
SURVEYORS, VALUERS,
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CONSULTANTS
Stratton House, Stratton Street
London W1X 5PE 01-493 8400

INTERNATIONAL BONDS

Eurodollar market treads a vertiginous path

THE DOLLAR bond market maintained its resilience last week, disengaging itself from further falls in the currency as it was underpinned by the conviction that the Federal Reserve would maintain an easy monetary stance.

Even in the Eurodollar bond market, where interest is limited by currency fears, yield spreads over US Treasuries narrowed on selected issues as US institutions went hunting for cheap bonds and as central banks sought to spend some of the dollars they have accumulated supporting the unit over the last few weeks.

Comments by Mr James Baker, US Treasury Secretary, that he would risk a further dollar fall sooner than a recession confirmed the course of the Treasury market. As Mr Steven Bell, chief economist at Morgan Grenfell, said: "It is clear that the US, having tightened monetary policy earlier this year to shore up the dollar, has decided to act as a closed economy."

So last week the bond market could keep going on expectations of further interest-rate falls and a

flight to quality in the face of stock-market weakness. Assuming the dollar's fall does not become too precipitous, it should be able to maintain this equilibrium in the near term.

It may be helped by foreign exchange dealers' inclination to give the dollar a break after driving it down sharply over the last two weeks. One bond dealer said on Friday: "My impression is that the foreign exchange market has no confidence in the dollar but it still thinks the dollar is oversold for the moment."

Nevertheless, the Eurodollar bond market must be treading a more and more vertiginous path.

To restore confidence in the dollar, a substantial cut in the budget deficit is necessary - and that seems less and less likely. But even if it is achieved, it is probable that the Federal Reserve will use any sign of dollar strength to cut interest rates, limiting the boost to the currency.

The deflationary effects of the stock-market crash are expected to begin to make themselves felt in ef-

ficial figures going into the new year. At that time, with a US election looming, the Fed will be under pressure to keep monetary policy loose, even as the trade figures begin to improve.

This picture gives very little room for optimism about the dollar over the medium term unless other industrial nations substantially reduce their own interest rates.

Later on next year, the falling dollar could rekindle inflationary fears. These have been so far forgotten now that, though the US Treasury market suffered a setback after the release on Friday of unexpectedly strong employment figures for October, they were largely dismissed as "yesterday's story."

Mr Giles Keating, economist at Credit Suisse First Boston, said: "Ironically, the figures confirmed that the Fed was acting reasonably when it raised the discount rate at the beginning of September. It's a shame that this tightening of liquidity had to trigger a stock-market crash to check the growth in the economy."

Most international bond analysts

are recommending investors to underweight themselves in dollar bonds. Midland Montagu, for instance, ranks the dollar market last in a list of nine major bond markets on a three-month view. Over a similar time period, Deutsche Bank Capital Markets suggests that the dollar bloc should make up 30 per cent and non-dollar bloc bonds 70 per cent of an international portfolio over the same period.

The strength of the market last week opened up a narrow new issue window, which Austria took advantage of by issuing a \$250m three-year bond. However, only a limited number of borrowers can expect to squeeze through the window since central banks are limited to buying bonds with maturities under five years, for the highest quality credits.

Dealers said that, in any case, few sovereign and supranational borrowers were likely to issue new bonds because swap rates were unfavourable. Borrowers could expect to gain floating-rate dollars at only around 15 basis points under London interbank offered rate.

Prices in most other sectors of the Eurobond market rose, benefiting from the dollar's weakness. The main exception to this was the Australian dollar sector. Partly this reflected further weakness in the currency, on concerns about the effects of a world recession on Australia's commodity-based economy. But the Australian domestic market nevertheless staged a partial recovery.

The Eurobond sector, on the other hand, suffered a blow to its confidence when Orion Royal Bank announced it was withdrawing from the market. Orion had been the second-largest market maker.

By the end of the week, dealers were saying that the blow to liquidity would be less than at first feared. This was because there were still plenty of houses which have so far been peripheral players waiting to fill any vacuum left by Orion.

Nevertheless, market making capacity in the sector was looking less than healthy on Friday, with few if any prices displayed on the brokers' screens. Dealers were said to be quoting prices on some bonds on bid-offer spreads as wide as two

points - previously, 1/2 point spreads had been the norm.

The Eurosterling market was about the most active for new issues. Three new deals emerged on Thursday, when the secondary market was buoyed up by the strength of sterling and indications that the UK authorities would be maintaining an accommodative stance after Wednesday's cut in base bank lending rates.

Baring Brothers led a £150m additional tranche for a £200m World Bank loan launched in June, which was then the largest Eurosterling issue.

Though some houses said the bond had evoked little interest, the lead-manager said it had been able to persuade UK funds to sell gilts and buy the party-paid World Bank loan. The bond was fully paid next June, these institutions would be able to use the rest of the proceeds of the gilt sales to invest in shares, so insuring against any rebound in the equity market.

Clare Pearson

Gotabanken profits may be halved due to losses on options

BY SARA WEBB IN STOCKHOLM

GOTABANKEN, Sweden's fourth-largest quoted commercial bank, yesterday admitted that profits this year would be halved following large losses in options trading during recent months.

Senior officials are due to meet the banking inspector today to discuss consequences of the losses, which are by far the largest among a spate of distresses in the country's options market.

The bank has promised to review the future of its options trading division and to introduce new controls.

Gotabanken's profits after financial items are expected to reach only SKr300m (\$48.6m), said Mr Ulf Lignell, deputy managing director, against a 1986 result of SKr600m.

Following a hastily convened board meeting yesterday, Mr Lignell said that the bank itself had lost about SKr200m on index options and that further losses of between SKr150m and SKr100m had been sustained by some of its business clients.

Though the transactions took place during the summer and autumn, the losses have grown very rapidly recently due to the bourse crash, he said.

Gotabanken is the latest to join a long list of banks and brokerages which have made heavy losses on options trading, chiefly through inadequate internal controls and the lack of measures to cut losses.

Svenska Handelsbanken, the third-largest commercial bank, fired two employees last month when it transpired that they had violated the bank's rules on trading. The Bank Inspection Board says it is considering ways of curbing the use of options as gambling instruments in response to the numerous recent scandals.

Handelsbanken said its estimated losses of SKr100m would be covered by insurance. Gotabanken says it is looking into whether its

losses could be covered by insurance but admitted yesterday that it may have to bear the full cost itself. Norway's top three banks, Den norske Creditbank (DnB), Christiania Bank, and Bergen Bank have been placed on Creditwatch by Standard & Poor's, the US credit rating agency, writes Karen Fosell in Oslo.

The three banks are currently rated A1-plus, but following an investigation by the rating agency into the banks' current financial standing a downgrading of this position could be imminent.

The potential downgrading of the banks could come as a result of lower results achieved this year compared with the past and because of Norway's uncertain economic future.

Earlier this year Moody's, the other leading US-based rating agency, downgraded Norway's credit rating because of the country's dependency on oil income which was significantly reduced after the oil price fall of 1986.

Mr Bjørn Skogstad Aamo, Norway's Secretary of Finance, said that, with an exchange rate of Nkr6.25 to the dollar next year, Norway could stand to lose Nkr1.5bn (\$233m) in oil and gas earnings. He said that earnings on oil and gas sales had been based on an exchange rate of Nkr6.50

EUROMARKET TURNOVER (\$m)

Primary Market	US\$	Swg	FRM	Other
US\$	174.1	5.3	61.5	8,559.9
Swg	2,003.3	670.7	412.8	8,515.3
FRM	1,111.4	382.0	270.8	8,582.3
Other	1,425.7	1.4	21.4	829.7
Secondary Market	US\$	Swg	FRM	Other
US\$	24,432.1	2,251.1	36,999.7	7,146.4
Swg	24,063.0	2,625.4	22,924.9	4,710.0
FRM	22,179.6	1,715.4	2,694.3	23,012.7
Other	21,499.5	1,037.3	4,765.6	17,294.5
Total	US\$	Swg	FRM	Other
US\$	26,174.1	2,256.4	37,312.4	8,262.3
Swg	26,076.3	2,626.8	23,619.8	5,125.3
FRM	23,611.0	1,716.8	2,965.9	23,825.0
Other	22,925.2	1,038.7	4,787.1	17,324.2

Week to November 5, 1987 Source: AIB

EUROCREDITS

Switch to bank finance comes under active discussion

THOUGH the flow of new Euro-credit mandates remains un spectacular, business is definitely hotting up.

Syndicated lending had already been staging a healthy recovery this year. Now, many borrowers who might previously have planned equity or bond issues are discussing bank finance instead.

A resulting surge of new deals is unlikely to show through for some time. Clearly, it depends partly on borrowers' need for funds. But there are already murmurs that Italy might turn to the bank market for a \$10m credit. The country has been a heavy issuer in the bond markets, most recently with £200bn of bonds last month.

While an Italian deal is very much still on the horizon, two other sovereign names are expected to award mandates within the next few days: Crédit Fender for a \$300m five-year credit and Greece's OTE for a \$175m eight-year borrowing. Pricing for the French deal is expected to be very tight, and the Greek terms will also be watched closely.

Spanish borrowers will have renewed access to the market next year after a rescheduling agreement for Femia, the electricity utility, is signed.

A preliminary agreement was reached on Friday and is to be put to the full steering committee later this month. Bankers do not expect,

however, an immediate flood of demand from Spanish borrowers.

The Central Bank of Turkey, meanwhile, has mandated Chemical Bank and Sumitomo bank for a \$100m one-year loan which will replace an existing \$82m facility. Turkey will pay 15 basis points less than US banks' prime rate on one tranche and 75 basis points above London interbank offered rate on the other, with front-end fees ranging up to 5 basis points on the former and 25 basis points on the latter.

Several corporate deals have emerged. However, the US paper company, mandated Credit Suisse First Boston for a \$400m five-year revolving credit, with a tender panel for advances and bankers acceptances. The interest margin is 12.5 basis points over Libor, and the facility fee is 10 basis points on the "available" portion - at least \$150m - and 7.5 basis points on the "unavailable." Utilisation fees are 5 basis points if the facility is more than one-third drawn and 7.5 basis points if it is more than two-thirds drawn.

CSFB was also asked to arrange a \$100m revolving credit for a UK subsidiary of Resche Business Systems, the US office supplies concern, which itself is 70 per cent owned by Resche of Sweden. The five-year credit has a commitment fee of 6.25 basis points, a margin of 12.5 basis points, and fees of 5 basis

points if more than one-third used and 10 basis points if more than two-thirds. It will back up Eurocommercial paper issues, for which the company will have a \$200m programme.

National Australia Bank is seeking a \$250m five-year revolving underwriting facility through Merrill Lynch International, to back its US and Eurocommercial paper programmes. The margin of 6.25 basis points and underwriting fee of 6.25 basis points were said to be tight by bankers chary of providing competing banks with liquidity on over-fine terms. Merrill argued that they were fair for a Double A rate bank.

National Home Loans, the UK

mortgage concern which has already made several bond issues, added its name to the recent spate of UK mortgage-related credits - though this deal is a revolving loan not backed by mortgages. The \$400m facility, led by Morgan Guaranty, is divided into two equal tranches, both with a five-year maturity, a margin of 37.5 basis points over Libor and a 12.5 basis point commitment fee. The first is committed, the second is an uncommitted tap facility which may be converted next year into committed funds.

Among other corporates, Primetia increased its credit from \$400m to \$500m.

Alexander Nicol



10,000,000 Units
Autopistas del Mare Nostrum, S.A.
Concesionaria del Estado

10,000,000 Ordinary Shares
with Warrants to Purchase 5,000,000 Ordinary
Shares of Autopistas del Mare Nostrum, S.A.

Each Unit offered consists of one Ordinary Share and a fractional entitlement to 1/2 warrant issued by Banco Central S.A. The warrants are exercisable from October 14, 1987 to October 13, 1989 at a price of Ptas. 1850, subject to adjustment.

Price U.S. \$14.75 Per Unit

Salomon Brothers International Limited

Alexanders Laing & Cruickshank

Banque Paribas Capital Markets Limited

CIBC Capital Markets

Daiwa Europe Limited

Dresdner Bank
Aktiengesellschaft

Morgan Stanley International

Swiss Bank Corporation International Limited

Banque Indosuez

BNP Capital Markets Limited

DG Bank
Deutsche Genossenschaftsbank

Deutsche Girozentrale
-Deutsche Kassenbank-

IMI Capital Markets (UK) Ltd

Prudential-Bache Capital Funding

Union Bank of Switzerland (Securities) Limited

BHF-BANK

Can. \$60,000,000

BHF-BANK Finance (Jersey) Limited

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BANK OF MONTREAL CAPITAL MARKETS LIMITED

BANQUE BRUXELLES LAMBERT S.A.

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CREDIT COMMERCIAL DE FRANCE

DOMINION SECURITIES INC.

DRESDNER BANK AKTIENGESSELLSCHAFT

DSL BANK DEUTSCHE SIEDLUNGS- UND LANDESRENTENBANK

GENERALE BANK

GENOSSENSCHAFTLICHE ZENTRALBANK AG-VIENNA

KREDIETBANK INTERNATIONAL GROUP

NEDERLANDSCHE MIDDENSTANDSBANK NV

VEREINS- UND WESTBANK AKTIENGESSELLSCHAFT

WESTDEUTSCHE LANDESBANK GIROZENTRALE

WOOD GUNDY INC.

14th September, 1987

All of these securities have been sold. This announcement appears as a matter of record only.

UK GILTS

US MONEY AND CREDIT

Grupo Alfa banks write off \$1bn debts

full-square on the US. Developments there have driven policy and markets over the past week. News of a proposal to cut the budget deficit by \$75.5bn over two years buoyed the gilt market towards the close of trading on Friday. But perhaps it would be prudent to wait for an agreement.

Simon Holberton

GRESVALE, the market maker specialising in equity related instruments, has recruited five dealers and salesmen formerly employed by **Lloyds Merchant Bank**, which closed its bond trading operations in June.

The team has been recruited to start up a marketing and dealing operation in the European equity warrants markets.

Gresvale is best known for its

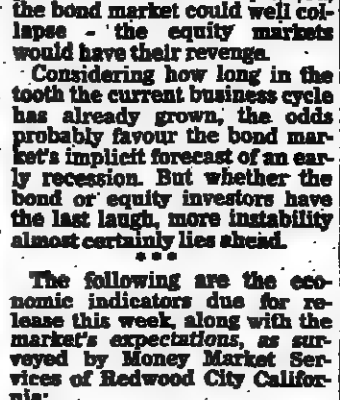
The new salesmen are Mr Viktor Boehler, who will join Cresvale as a director in the sales department, Ms Julie Baber and Mr Stephen Trezzini. Mr Ron Smythe and Mr Paul Blinkhorne will join as dealers.

AUSTRIA 8 1/2	475
BANK OF TOKYO 8 1/2	475
BANK OF TOKYO 12 1/2	525
BANK OF TOKYO 15 1/2	550
BANK OF TOKYO 17 1/2	575
BANQUE PARISIENNE 10 1/2	500
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BANQUE PARISIENNE 24 1/2	675
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BANQUE PARISIENNE 40 1/2	875
BANQUE PARISIENNE 42 1/2	900
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BANQUE PARISIENNE 60 1/2	1125
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BANQUE PARISIENNE 74 1/2	1300
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BANQUE PARISIENNE 90 1/2	1500
BANQUE PARISIENNE 92 1/2	1525
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BANQUE PARISIENNE 96 1/2	1575
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BANQUE PARISIENNE 102 1/2	1650
BANQUE PARISIENNE 104 1/2	1675
BANQUE PARISIENNE 106 1/2	1700
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BANQUE PARISIENNE 110 1/2	1750
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BANQUE PARISIENNE 118 1/2	1850
BANQUE PARISIENNE 120 1/2	1875
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BANQUE PARISIENNE 124 1/2	1925
BANQUE PARISIENNE 126 1/2	1950
BANQUE PARISIENNE 128 1/2	1975
BANQUE PARISIENNE 130 1/2	2000
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RTS	Index	1991	1992	1993	1994
AL 64, 91	24.0	100%	+	100%	1.00
CTB 64, 91	24.0	100%	+	100%	1.00
S 6 91	24.0	100%	+	100%	1.00
ACPCP 64, 91	24.0	100%	+	100%	1.00
62	24.0	100%	+	100%	1.00
AL 7 94	24.0	100%	+	100%	1.00
62	24.0	100%	+	100%	1.00
62	24.0	100%	+	100%	1.00
62	24.0	100%	+	100%	1.00
62	24.0	100%	+	100%	1.00
COMP 54, 91	24.0	100%	+	100%	1.00
DEV 74, 91	24.0	100%	+	100%	1.00
AL 64, 91	24.0	100%	+	100%	1.00
10 74, 91	24.0	100%	+	100%	1.00
10 74, 91	24.0	100%	+	100%	1.00



Government Bonds	138.34	4.54	137.06	136.47	142.20
Government Stocks	137.81	5.46	137.05	134.99	140.87
Non-government Bonds	138.63	5.57	137.05	135.65	141.65
Non-government Stocks	133.57	4.40	132.12	131.68	135.54
Bank Deposits	132.69	2.86	132.17	132.17	137.00
Corporate Bonds	132.69	6.04	132.07	131.72	137.12
Foreign Bonds					
Foreign Stocks					
Government 10-year*	5.50	-	5.29	5.70	4.08

* Estimated per yield

Source: Macroeconomic Research Institute

BY CLARE PEARSON

CRESVALE, the market maker specialising in equity related investments, has recruited five dealers and salesmen formerly employed by Lloyd's Merchant Bank, which closed its bond trading operations in June.

The team has been recruited to deal in the recently floated £1.25m dealing operation in the European equity warrants markets.

Cresvale is best known for its presence in the Japanese warrants and convertibles markets, but it also deals in other Far Eastern, and US UK equity related products.

The new salesmen are Mr Tor Roehrer, who will join Cresvale as a director, the ex-merchant bank salesman Mr Stephen Trezinski, Mr Smythe and Mr Paul Stinkens will join as dealers.



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Notes due 1994

with

Scotland Group plc

Salomon Brothers International Limited
Equity Securities

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The Royal Bank of Scotland Group plc

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Credit Suisse First Boston Limited	Deutsche Bank Capital Markets Limited
Merrill Lynch Capital Markets	Salomon Brothers International Limited
S.G. Warburg Securities	

November, 1987

CONVERTIBLE BONDS: US Dollars unless indicated. Premium percentage premium of the current effective price of buying shares via the bond over the most recent share price.

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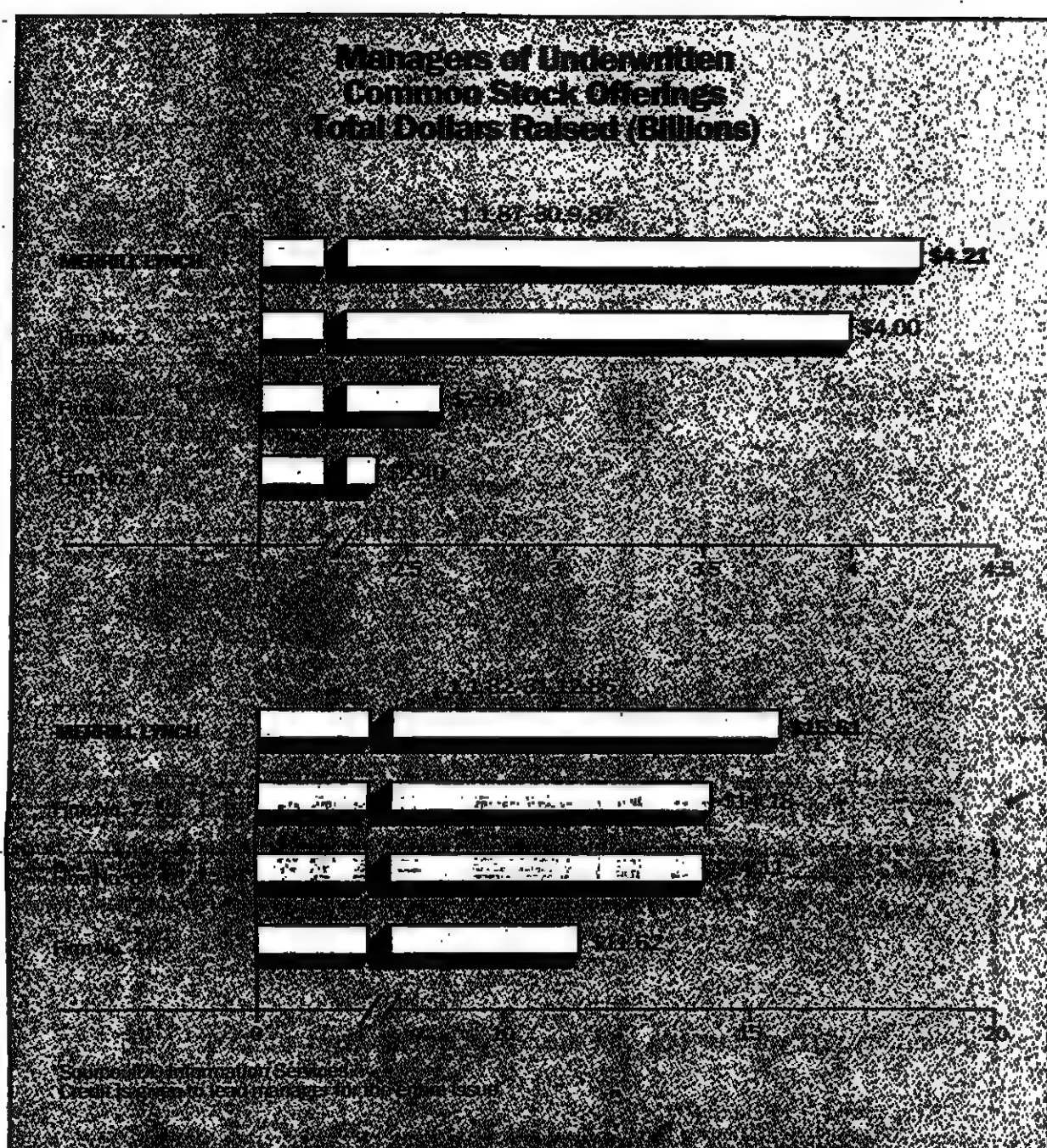
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INTERNATIONAL CAPITAL MARKETS & COMPANIES

THIRD WORLD DEBT

Bahrain banks may form loan company

THE ESTABLISHMENT of a company to take over the Third World debt exposure of offshore banks based in Bahrain is under active consideration.

The proposal is understood to have the support of many senior bankers on the island, including Mr Abdullah Saif, chairman of the Bahrain Monetary Agency, which supervises the island's banks.

Mr Saif is also head of Gulf International Bank, which is owned by the seven Arab Gulf states and one of the Bahrain banks with the largest exposure to Latin America.

The plan, which is emerging from talks between officials of Gulf International Bank and Arab Banking Corporation but which has also been discussed with other banks on the island, faces a number of hurdles before it can be implemented. The

accounting treatment of such a move, for example, has yet to be established.

Problem Third World debtors are a headache for the Arab offshore banks based in Bahrain, since they are suffering from the effects of a regional recession. This has shrunk their opportunities for new business and led to problems on loans to borrowers in the Gulf.

The banks have been reluctant to follow Western banks, led by Citicorp, in making sharp increases in provisions for their exposure to rescheduling countries. This is partly because there is no tax advantage for them to do so - offshore banks in Bahrain operate without paying taxes - but is also because some of them are not well enough capitalised to take the full provisions.

The proposal, which would

avoid the need to make these big provisions, would call for the establishment of a company into which the Bahrain banks would place their Third World loans and a cash sum. The cash sum would be to buy enough zero-coupon bonds to guarantee repayment of the loan's principal in, say, 20 years.

The various banks' equity in the company could be adjusted to be the cash sum and the value of the loans they have deposited, as determined possibly by the secondary market. At the same time, they would be effectively loaning the company the face amount of their exposure to the rescheduling countries. The interest repayments by the debtors would be passed through to the shareholder banks.

This approach suggests a number of potential problems.

For one thing, it depends rather heavily on the continued meeting of interest payments by the borrowing countries. Potential problems could also arise when rescheduling packages involve the banks in granting new money.

GIB is known to have resisted participation in past new money packages. Its late decision to join the most recent package from Argentina was said to have followed political pressure from the US.

The banks were set up mostly in the oil boom of the late 1970s, and became active lenders to Latin America at that time. While the amounts they lent were often not large in absolute terms, for some offshore banks they represent a significant portion of their loan portfolio and a large proportion of their capital.

Many of the banks, particularly those unlike GIB and ABC which are not owned by Arab governments, would find it impossible to raise new capital.

The worst affected by the debt crisis of the banks is Arab Bank, a consortium owned by 28 Arab and Latin American institutions. Its direct exposure of \$1.1bn at the end of 1986 was more than four times its net free capital, and last year's accounts were qualified by accountants Arthur Anderson.

ABC's exposure to Latin America is about \$1.25bn, with a further \$400m outstanding to other rescheduling countries. GIB's Latin American debt exceeded \$850m at end-1986.

Assets of all the Bahrain offshore banks totalled \$58.3bn at the end of June.

Stephen Fidler

Toray profits more than trebled

By Our Tokyo Staff

TORAY INDUSTRIES, Japan's leading producer of synthetic fibres, more than trebled its profits in the six months to September, mainly because of cost reductions and sales increases in its plastics and new business sectors.

Pre-tax profits were up 241 per cent to ¥16.3bn (\$120.7m) in spite of a 2 per cent decline in overall revenues to ¥270.9bn. Net earnings rose 255 per cent to ¥7.4bn and earnings per share were up 236 per cent to ¥58.1.

Toray said sales of fibres and textiles dropped 7.8 per cent to ¥160.9bn, due mainly to a reduction in exports.

However, sales of plastics rose 5.1 per cent to ¥78bn, reflecting steady demand for the group's engineering plastics.

The company forecast that its pre-tax profit for the full year would reach ¥33bn, more than double last year's ¥16.7bn.

Toray's Automatic Loom Works, the textile machinery, car assembly and industrial equipment maker, lifted pre-tax profits 7 per cent to ¥8.6bn in its first half to September.

Sales were up 8.4 per cent to ¥2,174.3bn. Assuming an average dollar rate of ¥140 in the second half, annual sales are projected to exceed ¥340bn.

Citicorp in rival offer for near-bankrupt FCA

BY ANATOLE KALETSKY IN NEW YORK

CITICORP, the leading US commercial bank, has offered to buy Financial Corporation of America, the near-bankrupt holding company for the biggest US thrift institution, which is at present controlled by the Federal Home Loan Bank Board.

The Citicorp offer will compete with a bid made in September by First Nationwide Bank.

While no details of either bid have been disclosed, both are thought to involve substantial capital injections, estimated at anywhere from \$1.5bn to \$4.5bn.

Burlington sells denim plant for \$205m

BY RODERICK ORAM IN NEW YORK AND BOB GREENBERG IN MONTREAL

BURLINGTON INDUSTRIES, the US textiles group taken private last summer by a group of investors led by Morgan Stanley, the Wall Street investment bank, has announced its first asset disposal.

It has agreed to sell its denim plant in Erwin, North Carolina, to Dominion Textile of Canada for US\$205m. Burlington will continue to make denim at two other US plants.

Dominion Textile, which said it is considering buying other Burlington assets, had joined Mr Asher Edelman, the New York investor, in an abortive at-

Robert Maxwell mulls Bell & Howell purchase

BY OUR NEW YORK STAFF

MR ROBERT MAXWELL, the British publishing and printing magnate, has said he would be interested in buying Bell & Howell, the Illinois company which was once a leading manufacturer of motion picture equipment and now publishes textbooks, operates computer data bases and provides mail processing and information storage equipment.

Bell & Howell has been surrounded by takeover speculation since early this year when it was disclosed that the Bass Brothers of Fort Worth owned

15.9 per cent of the company, while Macmillan, the large US publishing house, held a stake of 7.7 per cent.

In comparison, Mr Maxwell's present shareholding is minor, at 2.3 per cent. However, he said in a letter delivered to Bell & Howell on Friday night that he was considering buying 50 per cent or more of the company and had applied to US antitrust authorities for the clearances required.

At Bell & Howell's closing price of \$55.4 on Friday, the whole company would cost around \$600m.

Swift Textiles, Domtex's existing US denim producer, based in Georgia, will take the Erwin plant under its wing, doubling its payroll to 2,800. Domtex first moved into the US denim market in 1975 with acquisition of DBL Industries, and has made further takeovers since then. It will now be a major factor in the market.

It is also expanding in industrial products in the US, buying a propylene-based woven fabrics and lightweight non-woven fabrics operation in Virginia for US\$120m.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount \$	Maturity	Av. Life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Flash Int'l	35	1992	5	(6)	100.10	Sawwa Int.	-
Kapellin Osaka Pacific Int'l	50	1990	3	(6)	100.25	Yamichi Int.	-
Sprint Int'l	30	1992	5	(7)	100.10	Fuji Int. Finance	-
Austria Int'l	250	1990	3	8 1/2	100%	CSFB	8.354
NEW ZEALAND DOLLARS							
Sawwa Aus. Lending Int'l	50	1992	5	(4)	100.10	Sawwa Int.	-
DEUTSCHE MARKS							
EIB	200	1995	7 1/2	6 1/2	100	Deutsche Bank	6.244
Deutsche Fin. Commerce	500	1993	5 1/2	5 1/2	100	Deutsche Bank	5.494
SWISS FRANS							
Continental Health Int'l	20	1995	-	(7)	(100)	Bee Guttmiller K.B.	5.175
Wells Corp.	100	1993	-	5 1/2	99.75	Nordbank-Bank	4.721
Belgium Int'l	75	1992	-	4 1/2	100%	Kreditbank	4.721
Belgium Int'l	75	1991	-	4 1/2	100%	Credit Suisse	4.590
Fidelity & Guaranty	120	1997	-	(5 1/2)	(100)	SBC	-
Norges Kommunalbank	60	1997	-	5 1/2	101	Bee Guttmiller K.B.	4.996
World Bank	100	1994	-	5	100	SBC	5.000
World Bank	100	1997	-	5 1/2	99.75	SBC	5.283
Chubu Electric Power	200	1992	-	5	100%	USBS	4.885
Privatbank	45	1991	-	4 1/2	100	Kreditbank	4.800
MZI Finance	150	1994	-	5 1/2	99.75	USBS	5.168
ECU							
EEC	50	1994	7	7 1/2	97.25	Morgan Guaranty	8.156
YEN							
Gregory Int'l	15bn	1992	-	(4)	100.25	LYCB Int.	-
Tokyo Electric Power	60bn	1992	-	(4)	100.30	Nomura Int.	-
African Dev. Bank	15bn	1992	-	(5)	101.25	Nomura Int.	5.400
ENEL Int'l	10bn	1992	-	(5)	100.10	Nomura Int.	-
STERLING							
Investors in Industry Int'l	125	1994	7	(6)	100	Warburg Secs.	-
Compagnie Bancaire	50	1992	5	10	103 1/2	Kleinwort Benson	9.544
Fort Credit Funding	50	1992	5	9 1/2	101 1/2	Warburg Secs.	9.333
World Bank	150	2007	20	9 1/2	96	Barings Brothers	9.711
MARKS KRONER							
F.I.M. Int'l	100	1991	4	11	100%	C. Hoogen Handelsbank	10.879
City of Vienna	350	1994	6 1/2	13 1/2	101 1/2	Sparkassen SGB	10.967
LUXEMBOURG FRANS							
ASL/CEER Int'l	300	1992	5	7 1/2	100%	Ben Worsley Credit Bk	7.626
IKK Outokumpu Int'l	300	1992	5	7 1/2	100%	Kansai Int. Lx.	7.719

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NEW ISSUE

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October, 1987



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(Itochu Nenryo Kabushiki Kaisha)
(Incorporated with limited liability under the laws of Japan)

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**Banca Popolare di Milano Banco de Bilbao Banque de la Societe Financiere Europeenne Bayerische Landesbank Girozentrale
The Chuo Trust and Banking Company, Limited Kreditanstalt Bankverein Genossenschaftliche Zentralbank AG Kansallis Banking Group
The Royal Bank of Scotland plc Union Bank of Finland Ltd.**

Senior Co-Managers

**BACOB Savings Bank S.C. Banco Hispano Americano Group Banco di Sicilia Group Bank of Scotland
Banque Regionale d'Escompte et de Depots (BRED) Berliner Bank A.G. Caisse Centrale des Banques Populaires Cassa di Risparmio di Torino Göttabanken
The Hyakujushi Bank, Ltd. ICCRI-Istituto di Credito delle Casse di Risparmio Italiane Österreichische Länderbank Royal Trust Bank**

Co-Managers

**Alahli Bank of Kuwait KSC Cie BTP-Finance/Banque du Batiment et des Travaux Publics Skandinaviska Enskilda Banken The Ashikaga Bank, Ltd. Banco di Santo Spirito
Bank für Gemeinwirtschaft AG The Bank of East Asia Limited The Bank of Yokohama, Ltd. Banque Cantonale Vaudoise Banque Demachy et Associes Paris
Banque Generale du Luxembourg S.A. Banque de Neufville, Schlumberger, Mallet Caisse d'Epargne de l'Etat du Grand-Duché de Luxembourg/Banque de l'Etat
Caisse d'Epargne Geneve The Chiba Bank, Ltd. Citic Industrial Bank The Commonwealth Bank of Australia, Limited Credit Chimique Den Danske Bank
Deutsche Girozentrale-Deutsche Kommunalbank DBS Bank Electro Banque The Hachijuni Bank, Ltd. The Hokkaido Bank, Ltd. The Hokuriku Bank, Ltd.
FRAB Bank International Hamburgische Landesbank Girozentrale Investors in Industry PLC Kuwait - French Bank Riyadh Bank
The Rural and Industries Bank of Western Australia Sparkassen SDS Swiss Cantobank (International) Swiss Volksbank The Toyo Trust and Banking Company, Limited**

Participants

**Banca del Gottardo Banco Exterior Group Bahrain Middle East Bank (E.C.) Bank Leu Ltd. Die Erste Österreichische Spar-Casse - Bank Banco Arabe Espanol S.A. The Bank of Fukuoka, Ltd.
The Bank of Hiroshima, Ltd. B. Metzler, seel, Sohn & Co. KGaA The Nippon Trust Bank, Limited Al Saudi Banque Zentralsparkasse und Kommerzbank Allied Irish Banks plc
Baden Württembergische Bank AG Badische Kommunale Landesbank Girozentrale Banca Credito Agrario Bresciano Bank für Handel und Effekten The Bank of Kyoto, Ltd. Credit Cooperatif
Banque Hervei Banque Industrielle et Mobiliere Privée Banque Petrofigaz Banque Sudameris France Banque Worms Bergen Bank A.S. Cassa di Risparmio di Genova E Imperia
Cassa di Risparmio di Verona Vicenza E Belluno Cera Sparrbank The Chugoku Bank, Limited Copenhagen Handelsbank A.S. Credit Foncier de France Credit Naval Credito Romagnolo
L'Europeenne de Banque Fico France Robert Fleming & Co. Limited Fokus Bank A.S. Gulf Riyad Bank E.C. The Gunma Bank, Ltd. International Bankers Incorporated S.A.
The Iyo Bank, Ltd. The Juyo Bank, Limited Sal. Oppenheim Jr et Cie Postipankki The 77 Bank Limited The Shizuoka Bank, Ltd. Societe de Banque Occidentale
The Sumitomo Trust and Banking Co. Ltd. Trinkaus & Burkhardt (International) S.A. UBAE Arab German Bank SA Deutsche Verkehrs-Kredit-Bank AG
The Bahraini Kuwait Investment Group The Bank of Kuwait and the Middle East K.S.C. Bankhaus Hermann Lampe Kommanditgesellschaft Credit des Bergues
Banque Belgo-Zairoise SA-Belgoise Banque Intercontinentale Arabe Banque Nordeurope S.A. Bank UCL S.A. FennoScandia Ltd.
Forsta Sparbanken OKOBANK Saudi European Bank S.A. SKOPBANK Volksdeposittokas N.V. Savings-Bank**

Agent Banks

**National Westminster Bank PLC Credit Lyonnais
Banque Nationale de Paris Midland Bank plc**

Paying Banks

International Westminster Bank PLC Credit Lyonnais

Co-Financing Agreement

European Investment Bank
will finance up to the equivalent of £1,000 million
as part of the total project facilities

4th November 1987

Fiona Thompson looks at the change of strategy by Coloroll

Not a fashionable time for US growth

It was like the relief of Mafeking, said John Ashcroft, chairman and chief executive of the home furnishings group Coloroll, speaking from his car telephone on the drive back to Manchester from Derby.

Mr Ashcroft went to the Derby Assembly Rooms last Thursday to address the 380 strong workforce of Derby Stoneware, part of the Crown House group which was acquired by Coloroll in April. The session had gone extremely well, he said. The problems at Derby were obvious. It had been selling the wrong product at the wrong price to the wrong people. Coloroll would see them right.

John Ashcroft, 39, on Christmas Eve, is not a man to express self-doubt, even after he's done a 180 degree turn. After spending £150m buying nine companies since January 1986, he surprised the City last week by announcing a freeze on acquisitions.

Many other companies have put individual deals on ice since the stock market crash, but Coloroll is the first of the highly acquisitive companies which have risen on the back of the bull market to say it is making such a radical change of direction.

The acquisition strategy had served Coloroll well, enabling it to branch out from wallcoverings and matching fabrics into artware, ceramics, crystal, carpets, pillows and quilts, and see profits rise from £6.2m last year to £10.3m this, on sales 89 per cent stronger at £115.2m.

In tandem with its new action plan, the company last week reported interim profits for the 1987/88 year three times ahead at £11.2m on £124.4m sales. City analysts are forecasting £28m



Mr John Ashcroft (on far right), chairman and chief executive of Coloroll, with his management team (left to right) Bill Dobie, Frank Martin, and Philip Green, meet the Derby workers.

profits for the full year to March 31, 1988.

Prior to the crash, the company's long-term objective was to build up a UK/US axis with up to 60 per cent of earnings coming from the US.

"The long term strategy is still in place," said Mr Ashcroft. "This is just a holding phase. We want to develop a strong home fashion group in the UK and the US. But there are smarter times to get into the US than now."

Coloroll's much-hinted at, and now shelved, next move across the Atlantic would have meant an increase from 20 per cent to over 40 per cent of earnings coming from the US. Instead, John Ashcroft said last week, "we were lucky. It was like musi-

cal mats. When the music stopped we were on the mat."

Coloroll will reconsider its ban on acquisitions, he said, only when there is renewed confidence in the UK stock market, particularly by underwriters, when the exchange rate is less volatile, and when there are signs that the worst is over for the US economy.

For the moment it is all hands to the UK pump. The plan of action is five-fold: to eliminate all gearing, improve cash flow, invest in areas of strong growth, launch a low cost diversification strategy and improve margins.

A gearing level of 30 to 40 per cent has long been one of Coloroll's five minimum performance criterion - along with 10

per cent return on sales, 25 per cent return on capital, 20 per cent annual earnings per share growth and 10 per cent annual dividend increase - but the aim now is to eliminate all gearing within 12 months.

The halt on purchases - and the consequent reorganisation and building work - will hold next year's capital expenditure at between £10m to £15m, sharply down from this year's £22m. Keeping less stocks will improve cash flow, providing more funds for investing in three strong growth areas: textiles, foam vinyl wallcoverings in the UK, and steppable wallcoverings in the US.

The diversification plan will include lighting (using ceramic bases), upholstered furniture and giftware.

Coloroll has always believed in maximum employee involvement - its 6,500 employees receive team briefings once a month in groups of 10 or 20. "How are we doing?" boards are on all the factory floors - and employees are at the heart of its bid to improve margins. In January, the company will launch "Quips", quality improvement programmes, to eliminate waste levels.

"By this we will be saying to investors 'watch this space', and to employees 'it's time for cleaning kit, doing drill'," said Mr Ashcroft. His frequent use of slogans is fully intentional, and Coloroll speaks a language new management members fail to pick up at their peril.

John Ashcroft's style is management by metaphor. Coloroll's Blue Book his statement of the company's philosophy and culture. While highlighting a number of sensible management practices, it has to be said that parts of it smack of that

treasure written by the victor of Mafeking Lord Baden-Powell.

"Be prepared," heads Coloroll's 22 point guide to successful negotiation. "Don't picnic in the jungle," managers are entreated, a nice niche carved in the market is never safe. Bosses must not "strut and tut", but rather wander on site every Monday morning and Friday afternoon to talk with the troops.

"A business doesn't need too many intellectuals," Charts and structures, like management, should be "lean, mean and hungry. No fat cats please."

In recent years the company has made much of its 20 per cent growth target. Despite the ban on acquisitions, Mr Ashcroft claims "it is still in the script". However, there must be strong doubt whether it can be attained purely on organic growth.

A decision will be made before the financial year-end on whether or not to hold on to the strategic stakes built up in takeover targets, for which the company has set aside £6.6m against anticipated losses, especially for those in the US.

Coloroll's radical change of direction cannot but beg the question - is it a sign of clear management decisiveness or is it playing to the gallery? John Ashcroft's many supporters in the City would see it as the former. Mr John Duggan was appointed chief executive. In July this year, Phoenix made an agreed £40m bid for Irish property group, Rohan. Its current market capitalisation is under £14m.

Phoenix - a former tin-mining operation which turned property investor in 1980 - has seen a number of changes recently. In June 1986, Professor Roland Smith became chairman - before stepping down again after twelve months - and the following month Mr John Duggan was appointed chief executive. In July this year, Phoenix made an agreed £40m bid for Irish property group, Rohan. Its current market capitalisation is under £14m.

Mountleigh in Stockley Park sale talks

By Nikki Tait

Mountleigh, the aggressive property company which took a predatory interest in retail giant, Storehouse, over the summer, yesterday confirmed that it has been discussing the possible sale of its Stockley Park development with Phoenix Properties and Finance, a much smaller property group. Any deal, however, would be subject to funding.

Stockley Park was acquired by Mountleigh as part of its 236m takeover of the Stockley group in May, and constituted one of the acquisition's three principal developments. The 300-acre site lies a couple of miles north of London's Heathrow airport, close to the M4 and the business park itself occupies 90 acres.

Mountleigh, however, is reknowned as a "break-up" specialist - tending to split up and sell on the various elements of the companies it acquires.

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TI facing legal action in the US

With shareholders set to formally veto the proposed \$14m (28m) acquisition of US-based Bundy group at an extraordinary general meeting later today, British engineering engineering company TI is steeled itself for legal action in the States.

The company said yesterday that it has not yet received any formal notification of the commencement of any legal action in the US, but concedes that lawsuits are likely.

TI is recommending shareholders not to proceed with the Bundy deal. The decision follows the sharp downturn in financial markets and the current uncertainty which overshadows the American and world economies. Accordingly, TI says it can no longer justify the \$40-a-share offer which it was making for the US small diameter tubing manufacturer, and its advisers - S. G. Warburg and Morgan Stanley - have refused to renew advice that the acquisition represents "fair value" at that price.

Shares in Bundy fell sharply on news of TI's prospective withdrawal - down from over \$36 to \$29 within hours. Ahead of the deal they were trading at around \$28.

Brokers silent on BP underwriting

BY NIKKI TAIT

CITY stockbrokers, Hoare Govett, were yesterday remaining tight-lipped about reports that FAI Insurance group, the Australian company headed by Mr Larry Adler, had yet to meet sub-underwriting payments on the £7.5m BP issue.

Hoare Govett acted as lead brokers in the issue and is thought to have arranged a 100-strong sub-underwriting syndicate.

The brokers said that they could not discuss the involvement of individual names on their sub-underwriting list. However, Hoare Govett's finance director, Mr Peter Jenks, added that a suggestion in the

weekend press that all but one sub-underwriter had paid in full was "a little too exact".

Overall, he said, the issue - as far as Hoare Govett was concerned - had been a success and had gone "very smoothly". The brokers, he said, were quite confident that all monies would be received. "It is quite remarkable that the actual cash has all moved - these are massive operations."

N. M. Rothschild, the lead underwriter on the issue and the Government's adviser, said it felt it would be inappropriate to make any comment on the possible position of FAI or on Hoare Govett's area of responsibility.

Company News in Brief

MUSTERLIN Group (publisher) has signed agreement to acquire illustrated non-fiction book group from Elsevier Boreen for £1.2m (£250,000). New business expected to produce sales of £2m in full year.

BETEC has completed the intra-group repurchase of the 3.8m ordinary shares held by its wholly-owned subsidiary, Claythorpe Investments. Those shares will be cancelled.

BRADFORD PROPERTY Trust's brokers, Alexander Laing Crookshank, bought 10,000 Bradford ordinary on Thursday at 25 and 40,000 yesterday at 24.50, for redemption.

CATALYST COMMUNICATIONS Group, marketing company, is buying Chris Parry Promotions for a cash payment of £988,896 will be satisfied by £100,000 cash and the balance in shares.

BOARD MEETINGS

Company	Date	Time
Admiral (UK) PLC	Nov 10	10.00
Admiral (UK) PLC	Nov 11	10.00
Admiral (UK) PLC	Nov 12	10.00
Admiral (UK) PLC	Nov 13	10.00
Admiral (UK) PLC	Nov 14	10.00
Admiral (UK) PLC	Nov 15	10.00
Admiral (UK) PLC	Nov 16	10.00
Admiral (UK) PLC	Nov 17	10.00
Admiral (UK) PLC	Nov 18	10.00
Admiral (UK) PLC	Nov 19	10.00
Admiral (UK) PLC	Nov 20	10.00
Admiral (UK) PLC	Nov 21	10.00
Admiral (UK) PLC	Nov 22	10.00
Admiral (UK) PLC	Nov 23	10.00
Admiral (UK) PLC	Nov 24	10.00
Admiral (UK) PLC	Nov 25	10.00
Admiral (UK) PLC	Nov 26	10.00
Admiral (UK) PLC	Nov 27	10.00
Admiral (UK) PLC	Nov 28	10.00
Admiral (UK) PLC	Nov 29	10.00
Admiral (UK) PLC	Nov 30	10.00

PENDING DIVIDENDS

Dates when some of the more important company dividend payments may be expected in the following table. The dates shown are those of last year's announcements except when the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announced last year".

Company	Announced last year	Date	Announced last year
Admiral (UK) PLC	Nov 10	Nov 10	Nov 10
Admiral (UK) PLC	Nov 11	Nov 11	Nov 11
Admiral (UK) PLC	Nov 12	Nov 12	Nov 12
Admiral (UK) PLC	Nov 13	Nov 13	Nov 13
Admiral (UK) PLC	Nov 14	Nov 14	Nov 14
Admiral (UK) PLC	Nov 15	Nov 15	Nov 15
Admiral (UK) PLC	Nov 16	Nov 16	Nov 16
Admiral (UK) PLC	Nov 17	Nov 17	Nov 17
Admiral (UK) PLC	Nov 18	Nov 18	Nov 18
Admiral (UK) PLC	Nov 19	Nov 19	Nov 19
Admiral (UK) PLC	Nov 20	Nov 20	Nov 20
Admiral (UK) PLC	Nov 21	Nov 21	Nov 21
Admiral (UK) PLC	Nov 22	Nov 22	Nov 22
Admiral (UK) PLC	Nov 23	Nov 23	Nov 23
Admiral (UK) PLC	Nov 24	Nov 24	Nov 24
Admiral (UK) PLC	Nov 25	Nov 25	Nov 25
Admiral (UK) PLC	Nov 26	Nov 26	Nov 26
Admiral (UK) PLC	Nov 27	Nov 27	Nov 27
Admiral (UK) PLC	Nov 28	Nov 28	Nov 28
Admiral (UK) PLC	Nov 29	Nov 29	Nov 29
Admiral (UK) PLC	Nov 30	Nov 30	Nov 30

GRANVILLE SPONSORED SECURITIES					
Company	Price	Change	Yield	Div	Yield
6,740 Am. Int. Ind. Ordinary	200	-1	8.9	4.5	7.5
Am. Int. Ind. CULS	200	-1	10.0	5.0	-
800 Ambridge and Rocco	30	0	4.2	13.1	4.5
4,340 B&S Design Group (USM)	200	-18	1.1	4.1	8.0
107,672 Borden Group	165	-10	2.7	1.6	38.2
9,545 Brey Technologies	165m	-7	4.7	2.6	13.2
908 CCL Group Ordinary	268	-2	13.5	4.3	6.9
1,680 CCL Group 11% Conv. Pk.	130	-1	10.7	11.2	25.6
20,232 Charbonnages Ordinaire	139m	-9	5.4	3.4	13.8
728 Carborundum 7.5% Pk.	104	+8	10.7	10.3	-
2,915 George Strait	158m	-10	3.7	2.3	4.3
1,648 Ido Group	96	-7	7.7	3.5	10.8
10,207 Jackson Group	96	-6	3.4	3.5	10.8
24,923 Multihouse NV (AmstSD)	230	-40	-	-	12.7
17,500 Record Holdings (IRE)	70	-12	0.1	-	14.1
3,076 Record Hops. 10% Pk. (GB)	114	0	14.1	12.4	-
612 Robert Janille	50	-	-	-	-
5,580 Scrutons	124m	0	5.5	4.4	4.9
5,994 Torday and Carille	22m	-9	6.6	3.3	10.2
2,420 Trevian Holdings	268	+14	0.8	1.3	5.1
13,000 United Holdings (SE)	96	-7	2.8	4.1	12.8
49,475 Walter Alexander (SE)	180m	-25	5.9	3.3	13.3
4,648 W. S. Yemm	200	0	17.4	8.7	20.0
4,340 West. Viras. Ind. Hops. (USM)	240	-14	5.5	3.9	14.9

Securities designated (SD) and (USM) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of FIMBRA.

Granville & Company Limited
1 Lower Lane, London EC3R 8BP
Telephone 01-621 1212
Member of FIMBRA

Granville Davies Coleman Limited
27 Lower Lane, London EC3R 8DT
Telephone 01-621 1212
Member of the Stock Exchange

Issue of up to U.S. \$75,000,000

SPAREKASSEN SDS

Sparekassen SDS
(A savings bank established under Danish Banking Law)

Floating Rate Capital Notes due 1991
U.S. \$40,000,000 having been issued as the initial tranche and U.S. \$20,000,000 having been issued as a subsequent tranche

For the period from November 9, 1987 to February 8, 1988 the Notes will bear interest at 7 7/8% per annum U.S. \$1,880.00 will be payable on February 8, 1988 against Coupon No. 2.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

November 9, 1987

CHASE

Province of Nova Scotia
U.S. \$100,000,000
10% per cent. Debentures due 1991
U.S. \$100,000,000
10% per cent. Debentures due 1998

NOTICE IS HEREBY GIVEN
that The Bank of Nova Scotia, Branches in the Province of Nova Scotia, is acting as paying agent for the above issues of Debentures with effect from 1st November, 1987.

Province of Nova Scotia

FINANCIAL TIMES STOCK INDICES

	Nov. 6	Nov. 5	Nov. 4	Nov. 3	Nov. 2	Oct. 30	1987 High	1987 Low	Since Completion
Government Secs.	91.12	91.47	90.51	90.14	89.76	89.87	93.32	84.49	127.4
Fixed Interest	94.42	94.47	93.90	94.07	93.55	93.76	99.12	90.23	150.4
Ordinary	1274.0	1287.9	1255.6	1286.1	1342.7	1360.9	1926.1	1255.6	1926.2
Gold Mines	261.6	273.5	279.2	305.6	314.9	312.1	497.5	261.6	734.7
FT-Act All Share	815.68	824.90	813.85	844.14	876.00	887.33	1238.57	815.85	1238.57
FT-SE 100	1620.8	1638.8	1608.1	1653.9	1723.7	1749.8	2443.1	1608.1	2443.1

Neil & Spencer deeper in red

FRE-TAX losses at Neil & Spencer Holdings deepened in the six months to May 31, 1987. The first half loss was £285,000 compared with £21,000 and £1.97m in the year to November 30, 1986. Group turnover was down from £19.38m to £11.61m. There was an operating loss of £95,000 against profits of £551,000, and interest took £496,000 (£555,000). The directors said that group performance, operating level, was generally in line with expectations, although the results of the distribution companies were affected by delayed deliveries from group factories.

The shortfall should be made good before the end of the year. The first half was dominated by the development of a group rationalisation plan involving a series of major asset disposals. The group now comprises three manufacturing and two distribution companies - the group's interests are in dry cleaning, laundry and textile machinery.

Neil and Spencer Limited continued to be the principal concern to the group. A new management team has been recruited and the severe cash restraints, which bedevilled pro-

duction in the past, have been eased.

After tax of £26,000 (£103,000) there was an extraordinary debit of £238,000, attributable to the restructuring programme. Losses per 10p share were 2.5p compared with 0.7p and 7.5p at the previous year end.

As a result of trading losses in the first half, further extraordinary items arising from the approved asset disposal programme and adverse currency movements on the reserves at November 30, 1986, net assets have fallen below half the nominal value of the company's called up share capital.

Martin Ford reduces its interim loss to £206,000

THE CONSIDERABLE improvement in the fortunes of Martin Ford, property investment and development, and menswear retail, reflects solely the trading results of Barrie Menswear and the central costs of the group.

Acquisitions of Sellar Morris Developments, Take Six and the property portfolio were acquired after the period covered by the interim results.

The company is still in the red, with a pre-tax loss of £206,000 for the 26 weeks to August 15 1987 but this compared with a loss of £1.14m for the 26 week period ended June 1 1986. And the company has an operating profit of £103,000 this time compared with a loss of £1.14m previously. Central costs of £208,000 were incurred.

Losses per 10p ordinary, which have ranged down about full listing to the USM, were 0.83p (6.88p loss). There was a tax credit of £72,000 (£87,000), and an extraordinary credit of £1.75m (£212,000) comprising full listing to the USM, and the ing primarily the surplus on disposal of 'Stage'.

Mr Ronnie Aitken, chairman, said that Sellar Morris is trading at a level exceeding expectations at the time of the acquisition and the business of Take 6 has been integrated with Barrie Menswear and the 'Review' concept adopted by Barrie has been well received and is generating good results.

Mr Aitken said the company was in sound financial health with substantial cash resources. He looked forward with confidence to the results for the period to April 30 1988 and said it was the intention to restore dividend payments in respect of that period.

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UK APPOINTMENTS

Higgs and Hill Construction chairman

Mr David Hill has been appointed chairman and a director of HIGGS AND HILL CONSTRUCTION HOLDINGS. He will remain joint managing director of Higgs and Hill, and chairman of Higgs and Hill Overseas. Mr Peter Clement has been appointed managing director of Higgs and Hill Overseas.

Mr Michael Franklin has been appointed a director of BARCLAYS BANK and of Barclays PLC from January 1.

CONTEMPORARY PERFUMERS has appointed Mr Trevor Pearson as financial director. He was financial controller.

ALBERT FISHER has appointed Mr Richard Fawcett as chief executive of the group's UK and European operations.

Mr John E. Lawrence has taken over as chief executive of THORN SECURITY. This follows the acquisition by Thorn EMI of JEL Energy Conservation Services, which was founded by Mr Lawrence and of which he remains chief executive.

Mr Olivia Bissell has been appointed an executive director of RUSSELL REYNOLDS ASSOCIATES INC.

Mr Peter C. Timmins has been appointed a director of MELVILLE TECHNOLOGY. He was managing director of Sigma, a Melville company.

WESTERN PROVIDENT ASSOCIATION, Bristol, has appointed Mr Julian Stalton as managing director, following the retirement of Miss D. Vicker.

Mr Ian Steel has been appointed operations director of BPCC PRINTING. He was finance director. He succeeds Mr John Welch, who has been appointed sales director of BRITISH NEWSPAPER PRINTING CORPORATION.

Mr Timothy Bunting has been appointed finance director and company secretary of SIMON CONTAINER MACHINERY, Stockport. He was financial director of Copal Casting.

SOUTHEASTERN ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET has appointed Mr Michael A. Williams as chairman from January 1 in succession to Mr Geoffrey A.H. Jones who retires later next year.

Mr Derek Arnold, general manager of NEE BUSINESS SYSTEMS (EUROPE), telecommunications division, has become the first European to be appointed to the main board.

Mr Richard Bonnis has been elected non-executive chairman of MUNTION BROTHERS. Mr Stuart Hollander, who has been acting chairman since the resignation of Mr Harford Robb, will continue as a non-executive director and deputy chairman. Mr Jimmy Black has joined the board as a non-executive director.

GULLICK DOBSON, mining equipment subsidiary of Dobson Park Industries, has appointed Mr Brian Kennedy as deputy managing director.

Mr Laurie Todd has been appointed finance director of CCA GALEKINS. He was finance director at UCCOL Software International.

Mr H.J. Bissell has been appointed financial director of the SHAND GROUP, succeeding Mr J.A.B. Nichols, who has retired. Mr Bissell was controller of the Egan machinery division of John Brown Inc.

CONTRACTS

£22m gas turbine orders

COOPER BOLLE, a company jointly owned by Rolls-Royce and Cooper Industries of the US has won a series of export contracts, valued at £22m, for gas turbine equipment from customers in Turkey, Malaysia and Dubai. All the equipment chosen is powered by Rolls-Royce industrial Avon or RB211 engines, designed at the company's Ansty factory, near Coventry. The three contracts all call for the supply of Rolls-Royce powered Coberra sets, driving Cooper Bessemer compressors, for the gas pumping projects both onshore and offshore.

DE LA RUE SYSTEMS has won orders from Spain, Brazil and the People's Republic of China, worth £17.5m. The first of these orders is for the world's largest state-owned lottery, The Spanish National Lottery Organisation, ONLAE, which has ordered

equipment to supply six coupon processing systems, software and additional services. A contract for an additional phase of the lottery's modernisation programme is expected later this year.

In Brazil, De La Rue Systems is to supply banknote sorting systems to Banco Central do Brasil. The first two systems are being delivered this month and there are plans to install 20 further systems over the next three years. In China, the company has won a single order for 1,000 banknote counting machines after two years of negotiations.

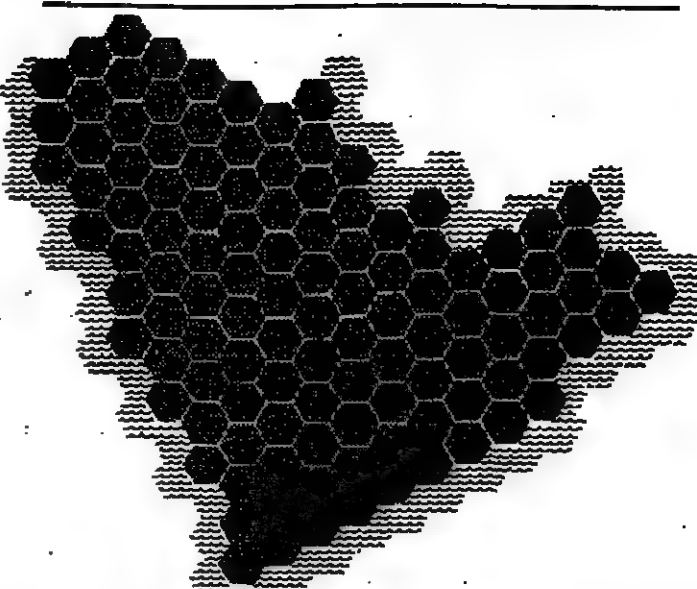
A £18.7m contract to extract 800,000 tons of coal at the Watcley East opencast site, Watcley, near Sheffield, has been awarded by British Coal to LOWMOUNT CONSTRUCTION, a wholly-owned subsidiary of the Mowlem group.

The eight-year contract will involve moving 20.5m cu. metres

of material and will create a hole at one stage 74 metres deep. The site will be reinstated progressively to leave the land fit for industrial use on completion. Lowmount is to spend £5.5m on plant for the project, largely on hydraulic excavators and 96 tonnes dump trucks.

The Municipality of Jonköping, a city of over 100,000 people in southern Sweden, has placed an order with ASFA STAL, Finnsjö, for a heat pump plant for connection to the local district heating system. The order is worth around SEK 30m (\$2m). The plant is to be ready for commercial operation in September, 1988, and will produce 30-35 MW of heat. This will be extracted from treated sewage effluent from the municipal sewage works and process water from the Munkjö pulp and papermill in Jonköping.

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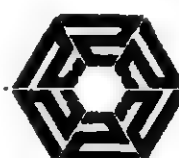
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EAST RAND PROPRIETARY MINES, LIMITED
(Incorporated in South Africa)
Registration No. 01/0073/05

Development and Commissioning of Far Eastern Section: Proposed Increase in Borrowing Powers and Rights Offer

The directors of East Rand Proprietary Mines, Limited, announce that it has been decided:

(a) to increase the company's borrowing powers from the present monetary limit of R200 million to R300 million in order to provide borrowing finance for the completion of the Far East Vertical Shaft Complex; and (b) to raise a further amount of approximately R80 million in permanent funding, by way of a rights offer.

THE FAR EAST VERTICAL SHAFT COMPLEX
A technical advisers' report submitted by Rand Mines (Mining & Services) Limited in 1985 predicted the existence of higher grade gold-bearing ore in the Far Eastern Section of the mine. Based on these indications, a decision was made late in 1985 to develop and commission the Far East Vertical Shaft Complex. This would enable the mine to exploit these higher grade assets, as well as to increase the scale of its operations.

The aim was to raise gold output, reduce unit costs and improve profitability, thereby ensuring the long term future of the mine. It would also make the mine independent of State assistance after a transitional period. Work on the project has progressed extremely well. Expenditure is in line with the budget.

Shaft Sinking and Infrastructure
By January 1986, the main vertical shaft will have been sunk to 34 level. The sub-vertical service shaft has already been deepened to 22 level. Equipping of this shaft is in progress and commissioning is expected in November 1986. The sub-vertical ventilation shaft is expected to reach its final depth by the end of 1987. Certain major surface installations have been completed. Establishment of surface infrastructure is on schedule.

One Reserve
The mine has considerable one reserve. Reef has been exposed in the Far East area from 66 level down to 48 level. Sampling of more than two thousand metres of reef horizon has revealed the following actual results, compared with the sedimentological extrapolations made in 1985:

	1987	1985
Average chemical value — ounces gold per ton	598	573
Mining value — grams per ton	7.60	6.94

Underground infrastructure developed so far will enable mining of these higher grade assets to commence immediately. This is eight months earlier than had been envisaged in 1985. With much of the work on the project nearing completion, and favourable sampling results having been obtained in the Far Eastern Section, the risk element in the project has been substantially reduced.

Mining Losses
Late in 1985, a major seismic event made it necessary to close certain working areas, with the loss of working faces. A further loss of working face resulted from a decision to create very large in-situ safety pillars in the lower reaches of the mine, thus facilitating the mining of the deeper higher grade ore with minimal future seismic disruption. However, the effects of these working face losses, adversely affected production from the older part of the mine. The result was that loan funds had to be applied to finance working losses which were greater than had been envisaged.

Rationalisation of Operations
The section served by 'T' shaft which was making a marginal contribution together with the low making sections served by 'C' shaft and 'H' shaft have been closed. As a consequence of these actions a considerable saving in overheads should be achieved.

The workforce has been deployed into other sections of the mine such as Anglo Main, Hercules vertical, the area served by 'G' shaft, the 'B' service area and the Far Eastern Section, which are expected to be more profitable. In addition, a positive contribution can be expected from the recovery of gold through the treatment of certain sand dumps.

By shifting the focus of operations towards the Far Eastern Section, the directors believe that gold production can be considerably increased and the mine returned to profitability in the longer term, with additional production facilities. It is envisaged that gold output can be doubled from present levels. Fulfilment of the plan will result in the mine having greater flexibility of operation, while being able to reduce its borrowings and to resume the payment of dividends within approximately three years. At the same time, financial stability should be secured, enabling the mine's extensive one reserve to be exploited for many years into the future.

PROPOSED INCREASE IN BORROWING POWERS
During the current year, the company negotiated an increase from R150 million to R200 million in its loan from a consortium of South African commercial banks led by First National Bank of Southern Africa Limited. The South African Government had previously agreed to guarantee the loan up to a maximum of R200 million and to subsidise the interest payments on the loan in excess of 7% up to a maximum of 17% per annum. In 1985, the subsidy will cease.

The projections show that an additional R80 million will be required, in order to complete and commission the Far East Vertical shaft project, and to provide an adequate cash resource to cover contingencies. It is vital that these funds should be obtained without delay so that the development programme may proceed on schedule. Accordingly, the directors are of the view that their borrowing powers should be increased from the existing limit of R200 million to R300 million, in order that the required temporary funding may be obtained immediately. An unsecured loan facility of R80 million has been arranged with First National Bank of Southern Africa Limited for this purpose.

PROPOSED INCREASE IN AUTHORIZED SHARE CAPITAL
The directors believe that additional permanent funds of R80 million should be raised by way of a rights offer. This will make it possible for the further temporary funding, referred to in the preceding paragraph, to be repaid. In order to implement the proposed rights offer, it is intended to increase the authorized share capital of the company from R20 000 000, divided into 18 000 000 shares of R1 each, to R30 000 000, divided into 27 000 000 shares of R1 each, by the creation of 9 000 000 new shares of R1 each.

CONVENING OF GENERAL MEETING
A circular to shareholders and a notice convening the relevant general meeting are being prepared and will be posted in the near future.

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FINANCIAL TIMES SURVEY

More than 2,500 companies are now involved in business sponsorship. The arts, sports and charities are all beneficiaries. Some practices, however, are giving the business a bad name - attempts are being made to stamp these out. Report by Feona McEwan

Marriage of convenience

AFTER AN initiation period languishing in the shallows of mainstream promotional activity, sponsorship is now established to a degree that was unthinkable six years ago.

It is estimated that some £200m will be spent across the whole sponsorship spectrum, from sports and arts to the environment and charities, breaking all previous records, according to Mintel, the market research organisation.

More than 2,500 companies are said to be involved now in sponsoring activities, from town festivals to team sports; solo artists, to up-and-coming racing drivers, at local, national and international levels.

Another indicator of industry health is the multiplication of specialist sponsorship consultants. These have grown in recent years to more than 100 organisations ranging from 40-strong companies to 2-man bands, which perform the marriage-broking function between the sponsored and the sponsor. Advertising agencies, too, ever on the lookout for new profit centres, are increasingly casting eyes in the direction of sponsorship agencies - a sure sign of an industry on the rise.

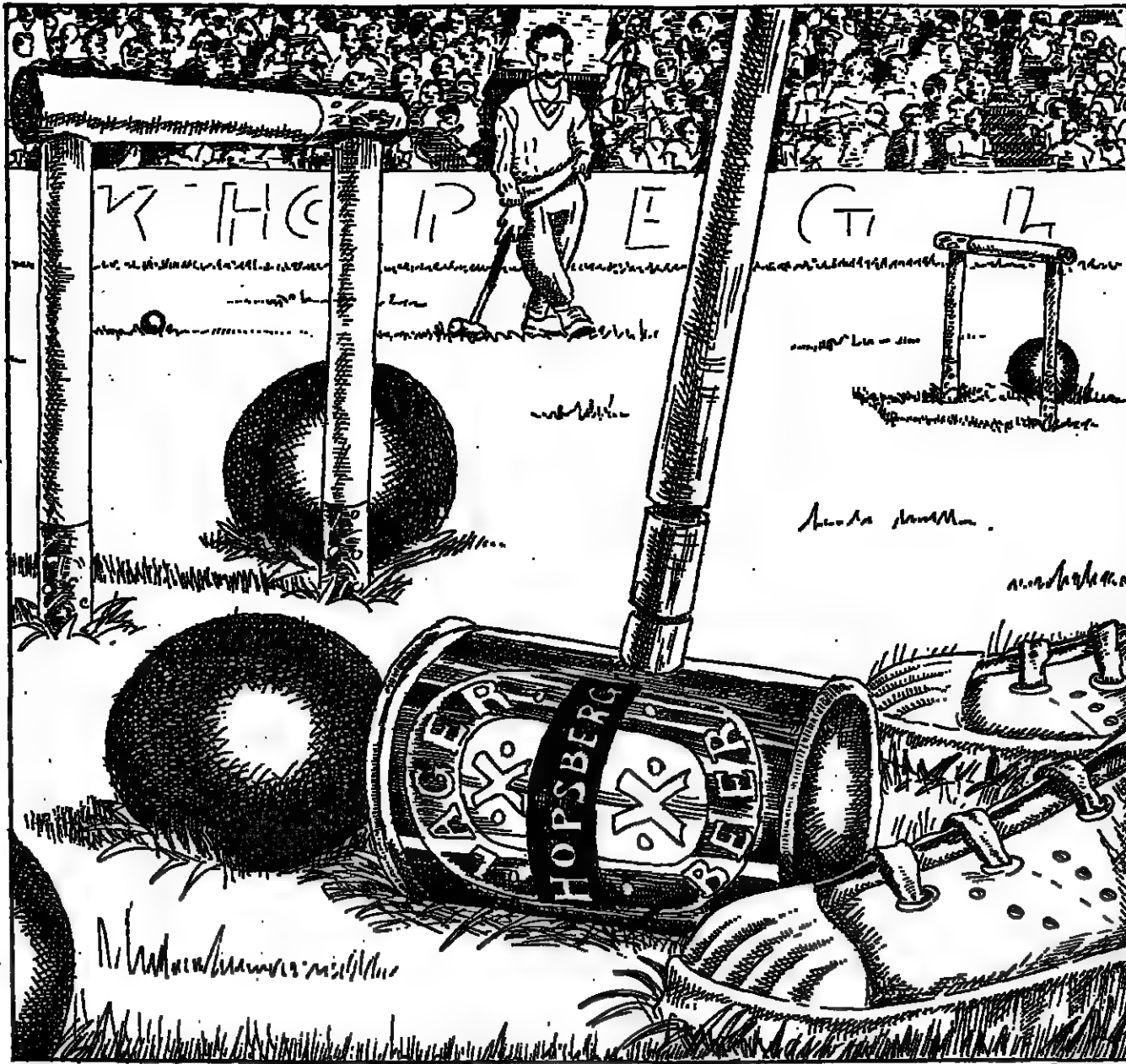
Sponsorship has also proved it can be good for export. The

sponsored Royal Shakespeare Company, for instance, won the Queen's Award for Industry last year.

It is perhaps a measure of the growing interest in the subject that this year witnesses the first national sponsorship exhibition, Business Sponsorship Link, which takes place on November 10 and 11 at Queen Elizabeth II Conference Centre, Westminster in London. With more than 100 exhibitors, the show aims to focus on every facet of the sponsorship scene likely to appeal to sponsor-seekers and sponsors alike.

As befits the immature industry that it still is, sponsorship is a business that is increasingly self-critical. One sign is the establishment last year of the Institute of Sports Sponsorship, which takes the biggest slice of the sponsorship cake, accounting for about 75 per cent of total revenues - which publicises the achievements of sponsorships and represents the voice of sponsors.

The ISS functions much like the Association for Business Sponsorship of the Arts, which encourages sponsors in the arts world by moving to improve conditions, terms and understanding of the industry and stamp out practices that give the business a bad name.



Business Sponsorship

One thing the ISS is unhappy about is the practice among some consultants of divided interests. Frequently it says agencies are retained by both parties, the sponsor and the sport, which in unscrupulous hands, can be hazardous.

Peter Lawson, general secretary of the Association, recounts a true incident: "About three years ago the chairman of a major British company met the chairman of a fairly important sport. The sporting chairman said how very nice it was to meet such a staunch supporter. What we'd do without your

£30,000 I don't know, he declared. What do you mean £30,000, came the reply, we put in £100,000. It is these practices the institute aims to eradicate.

The ISS is also looking to establish a code of practice. "We hope by persuasion and agreement to draw up an agreed code of practice, stipulating levels of fees, and so on, thus instilling a level of confidence and integrity among the operators," says a spokesman. These, and other pertinent issues, are to be raised at a national seminar organised by the ISS on November 18 at which all sides of the sponsor-

ship equation will be represented.

Another area under debate will be taxation. The current regulations are under fire from a number of aggrieved companies. Mr Lawson amplifies: "If you want to sponsor the arts, it's easy, he says. They are viewed as a charity with the facility to use covenants and other tax arrangements, unlike sports. We believe

that 27 per cent of fees or prize money of any foreign entertainer or sportsman be deducted at source by the organisers. Why then do sponsors sponsor? In his basic guide to the subject, Practical Sponsorship, (published by Eogan Page, £14.95) author and consultant Stuart Turner outlines the rudiments. Today's clutter of media and fragmentation means that the struggle for a company to be heard gets harder. Sponsorship is one way to break through the cacophony and reach consumers in their leisure hours.

It is a bone of contention that the Inland Revenue demands that 27 per cent of fees or prize money of any foreign entertainer or sportsman be deducted at source by the organisers.

When it comes to media exposure, which is still the main benchmark of many a sponsorship package, television remains critical. However, the attitude of the networks varies, say the sponsors, from programme to programme. Two stories amplify

Sport: Sport and business are both driven by the urge to win
Television: Clearer picture needed
Sport in action: Soccer and athletics
Arts: The hunt is on for imaginative tie-ups

Sports Council wins
Arts sponsorship profiles
Charities: Talking sponsors' language
Charities: The inner cities
Tobacco: Anti-smokers lobby hard

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So what can sponsorship do? Mr Turner outlines some of the options:

● It can rejuvenate a corporate image, make it appear more dynamic. Sponsorship, he says, influences an image by borrowing qualities from the activity being sponsored. Showjumping is up-market and prestigious. Motor sport, international and exciting, and so on. Hence, companies with a cold image might benefit from sponsoring a cosy gentle activity. Look at the oil companies and their support of the arts in this context.

● It paves the way for new product launches into new markets.

● For companies under attack, sponsorship can help provide defence and, on a less savoury note, it may offer ways of promoting certain products that cannot be advertised.

The Confederation of British Industry has also thrown its muscle behind the sponsorship debate. "Increasingly," it says, "large and small companies are coming to realise that they can strengthen their reputations, enhance their community standing, reach their target audience, support their marketing objectives and even motivate their employees, through the use of skilled sponsorship."

Benefits a sponsor can gain, as Mr Turner points out, include: media exposure; employee interest; name exposure at events; company names on participants and supporters clothing; company name incorporated on the title of the event; special ticket allocations for the company and its guests; and opportunities for entertaining people at events sponsored. Business and pleasure, as companies are increasingly discovering, can be mixed profitably.

But the commercial connection is obviously only one half of the equation. What about the sponsored - the sporting bodies, teams, personalities, the arts, the environment, music, and any other form of activity to which companies have keen to hitch their wagon in pursuit of commercial gain? They, like the business community, are said to be burying their suspicions and, growing to appreciate that sponsorship, well handled, can be a mutually rewarding exercise.

When it comes to media exposure, which is still the main benchmark of many a sponsorship package, television remains critical. However, the attitude of the networks varies, say the sponsors, from programme to programme. Two stories amplify

this. Harveys Leeds Piano competition found it was not credited fully in the Radio Times from which most newspapers took their cue. Out of 400 press mentions Harveys noted that less than 10 per cent used the full title.

Similarly with The Age of Chivalry exhibition sponsored by Lloyds at the Royal Academy. Local newspapers mentioned the sponsor but not so the national press. Lloyds was consequently less than pleased after investing around £400,000.

Increasingly, sponsors are using events more for hospitality than for the publicity factor, according to Ros Elliot of upmarket hospitality organisers, PJ Promotional Services. She cites the example of James Capel, the stock-broking firm, which this year backed the Admiral's Cup team at Cowes Week. "It was ideal," she says "because the whole of the City of London congregates in Cowes then."

As a general rule of thumb, the average cost of hospitality at top level is roughly £180 per head, including ticketing, catering, car-parks, and staffing.

Among the most sought-after events for entertaining, says Ms Elliot, are arts events that are prestigious, classical and preferably from overseas.

As for the future, one of the most sensitive issues is programme sponsorship. Independent Broadcasting Authority rules restrict the way companies can influence the making of programmes. However, with the growth of satellite television and the increasing pressure on independent production companies to produce programmes for television and find the finance to do so, the possibility of companies having a hand in the making of programmes is likely to increase. An IBA working party is currently examining whether the current rules need revision.

There is no doubt, says Roger Neill, director of client services at advertising agency Lintas International, that new private broadcast channels, commercialism and fragmentation of media, especially in Europe, have provided foundations for the growth of programme sponsorship. The spur has been the tremendous acceleration in the demand for television programming material throughout the world over the next five years which, he says, will bring outstanding opportunities for advertisers to become directly involved.

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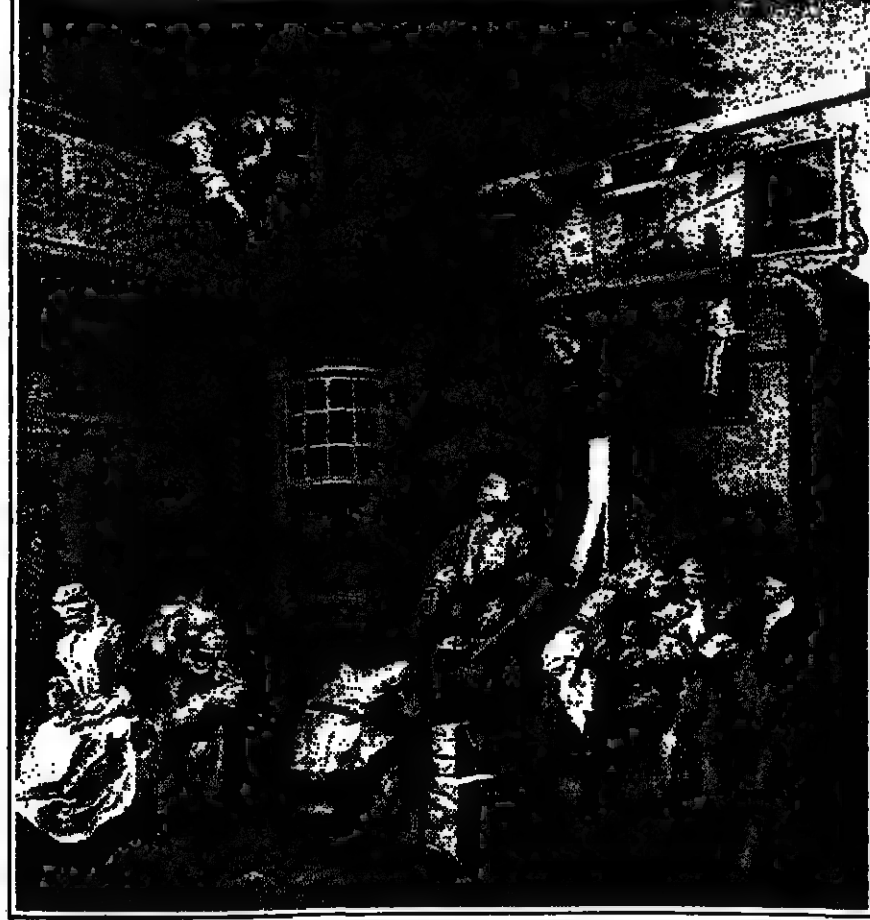
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BUSINESS SPONSORSHIP 2

The mutual rewards of working in harness have become clearer over the past 10 years, reports Feona McEwan

Sport and business both driven by the urge to win

SPORT AND business are something of an odd couple. Each side is drawn to the other but at times neither really understands what makes the other tick - a familiar syndrome in many a successful marriage.

One trait they do share, however, and this is what underwrites sports sponsorship, is the desire to win. Whether on the pitch, the court, the green, the track, the pool or the ring, the sporting world is driven by the urge to win just as the business community craves commercial victory.

In the past 10 years, these unlikely bedfellows have grown closer as the mutual rewards of working in harness have become more understood. Put at its simplest, sporting bodies gain sorely-needed funds to fuel (and in many cases guarantee) their existence, while companies gain the ear of those they seek to influence, whether it be customers or dealers, shareholders or employees.

The last six years, in particular, in the UK has witnessed an upsurge of interest in this branch of the promotional tree.

More than 2,000 companies now part with their money in the name of sport.

In 1980, according to a report from Mintel, the market research company, expenditure on sports sponsorship was put at £30m. This has multiplied fivefold to over £140m last year, and this year's figures are expected to top that. Mintel estimates another 45 per cent is spent by companies backing their investment, bringing the total to over £200m.

But it was not ever thus. Before sports sponsorship took off in the mid 1970s, companies were extremely blinkered in their view of what they regarded as a fringe area of marketing activity.

Industry observers remember the time when Colin Chapman, then head of Lotus, the high performance car manufacturer, blitzed 1,000 companies with a request for sponsorship, and only one company replied. He was Geoffrey Kent, marketing director of John Player.

The offspring of the liaison was the F1 racing team known as Gold Leaf Team Lotus which, with driver Graham Hill at the helm, scooped the world title.

Sports sponsorship had arrived. Before that time, the only true evidence of sport and business in tandem was the occasional horse-race backed by companies like Mackeson or Whitebread.

These days motor sport still takes the lion's share of the booty, around one third of all sports sponsorship, followed by football, horse racing, athletics, cricket, golf, tennis, snooker (in that order). These are now the most sought-after honeypots for sponsors.

One of the first rules of successful sports sponsorship - defined as the support of sport, sports events, sports organisations or competitions by an outside body or person for the mutual benefit of both parties - is to start out with defined objectives. In this way it is just like every other marketing exercise.

"Companies who've failed are those who've gone in for no clear-cut marketing reasons and with no set ways of evaluating the exercise," says Karen Earl, the consultant who put Cornhill Insurance into the Cornhill Test cricket series. Incidentally, since the company launched into sponsorship more than eight years ago, the awareness of its name among the public has mushroomed from 2 per cent to 22 per cent.

Function best, it must be regarded as part of the marketing mix to work in harmony with say, the advertising, public relations or sales promotions programme. Consultants who spend their days advising companies how to make their sponsorships work, are quick to point out the uselessness of paying out the cheque and waiting for things to happen.

Nor do things happen overnight. Like corporate advertising, sports sponsorship operates on a slow burn and results are not always calculable on a computer. At the end of the day it's a question of gut feel," says Karen Earl about whether a sponsorship is right for a client or not.

Being soft-sell, based on the indirect message, sponsorship demands long-term strategic thinking rather than short-term tactical solutions.

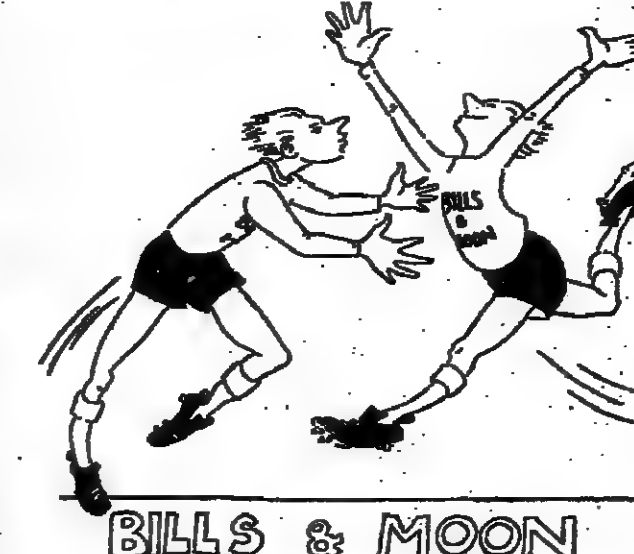
While there are no hard and fast rules, most specialists recommend three years, on average. "A one-off is fairly meaningless," says Des Mainwaring, new business director of Alan Pascoe Associates, consultants to the Amateur Athletics, Ice Skating and Swimming Associations. It takes one year to get into it, another to reap the benefits, and the third to exploit it.

Too long a sponsorship also has its dangers. When Gillette sponsored the Gillette Cup cricket series over a number of years, it failed to have run into problems since people eventually stopped making the connection between razors blades and the company name.

On the question of budgets, as a rule of thumb, £5m a year is said to be the basic needed for an effective working annual sports sponsorship.

But it is one thing thinking sponsorship, and another getting it. In established sports, sponsors are lined up well in advance. When vacancies appear, as they do when a sponsor has met his objectives, say, or run out of finance - they are snapped up fast.

After Liverpool Victoria Insurance, for instance, set its sights on bowls, a sport newly-discovered by television, it had to wait six months for the chance. When the opening came, the company signed within the week. Little wonder, then, that when Today newspaper pulled out of the Football League in unseemly haste after just one of its three years, the vacuum was filled by sponsors emerged from nowhere.



under increasing threat after the Sports Council announced last year its intention to phase out all sports sponsorship by tobacco companies, on radio and television over a two year period. However, with a new sports minister in charge who has less rigid views on the subject, this might prove harder to achieve than they think.

As more companies jump on the sponsorship bandwagon - whether to boost company image, create leads or cultivate client goodwill through business entertainment - the problem is to find the right sport. "Everyone wants to discover the next snooker or bowls," says Mr Herrick speaking of two of the most popular television sports. With their cliff-hanging potential and low cost of production, they have become perfect armchair sports.

Which sports are next for full exposure? Sports waiting in the wings include American football, baseball and cricket say the specialists, though one influential factor is the interest television takes. Channel 4 has done much already to boost popularity of lesser-known sports. It remains to be seen whether satellite stations will quicken the process. Another sport ripe for further exposure, according to Mintel research into consumer preferences, is athletics.

One solution to the search for appropriate sponsorship, says CBS, is to stage-manage events and add an element of show business. Colorful, the home furnishings combine, has been backing the Red Devils, the Parachute Regiment free-fall team, since 1984. There has been a series of displays, to mark show openings for instance, which are as much showbusiness as sport.

When it comes to understanding how sponsorship can work for a company, the Japanese have shown they know a thing

or two. Companies like Ricoh, Canon and JVC have used promotion of the company name through sponsorship to pave the way for product launches in new markets. Unlike many American companies which are well versed in sports sponsorship, Japanese corporate names are, in these cases, identical to the product. Canon, for instance, established its name in the UK by sponsoring the Football League, which took it into every football town in the country. Then, once the name was familiar, it launched its products.

One golden rule that companies sometimes forget is the need to market and promote their own sponsorship involvement. It is no use handing over the cheque as if into a bank deposit, and then waiting for the dividends. The best sponsorships are those most worked at. For every £1 put in, say the specialists, a sponsor must back it with another.

The National Dairy Council, organisers of the Milk Race, (which is Britain's answer to the Tour de France) understands this. Promotions are run jointly with schools, local education authorities, council sports and leisure departments, to coincide with the race passing through the area. This, together with live TV coverage, enables closer links to be forged between local dairies and other bodies that are influential as customers and as opinion formers in matters of nutrition and health education.

Literature was also distributed in schools on nutrition and sport, on cycling and health, linking exercise, fitness and health to other product marketing activities. The co-ordinated programme nationwide thus made full use of the budget of £750,000.

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BSAD endeavours to secure the provision and improvement of facilities for sport for the disabled by Government and Local Authorities. This particularly applies to special schools where BSAD aims to help young disabled people to participate in sport and to encourage them to keep it up after they leave school.

Television

Clearer picture still needed

IF YOU look very closely indeed this Christmas during the Thames Television broadcast of The Mikado you will see the name of the Clerical Medical Assurance Company. But it will not be exactly obvious.

At the beginning of the costly programme there will be a reference to the fact that it has been made "in association" with Clerical Medical, Britain's fifteenth largest insurance company with £5.5bn in funds under management. At the end of the programme there will be a similar on-screen credit.

The affair of the sponsorship of The Mikado is pretty much a first for Thames and Clerical Medical, which has been trying to increase public awareness of its name. It is a telling example of where the limits of sponsorship lie under current broadcasting regulation and legislation.

To begin with, Clerical Medical was very pleased indeed to put a "substantial" amount of money from its £2m advertising budget into such a high-profile production. The programme was to have been called the Clerical Medical Gala Evening Presents The Mikado and, as a result, Mr Andrew Harrison, the company's marketing manager, expected the company name to be carried in TV Times and in the television programme schedules in the national newspapers.

Then on the day of the recording the blow fell. The Independent Broadcasting Authority decided it was "not acceptable" to have the name Clerical Medical in the programme title and Mr Harrison had to decide whether or not to pull out entirely.

With the guests almost on their way Mr Harrison decided to go ahead but the financial deal was renegotiated and the insurance company's name was to be carried in the programme title and Mr Harrison had to decide whether or not to pull out entirely.

Mr Tim Brady, who was given the task at Thames Television of raising sponsorship money, is not downhearted by the experience but regards it as part of an inevitable learning process in a difficult area. "Programme makers absolutely believe that sponsorship has to be part of the future financing of programmes," Mr Brady argues.

There is undoubtedly growing interest in sponsorship of programmes on the part of both broadcasters and commercial organisations, although opinion is divided on just how much money could be realised by such a mechanism.

Last year the Peacock Committee into the future financing of British broadcasting pointed out that, even in the US, money raised from television sponsorship was small and gave little weight to sponsorship as a way of funding British broadcasting.

Mr Kenneth Miles director of the Incorporated Society of British Advertisers, the body representing companies which advertise on television, believes sponsorship has an important future role but careful prepara-

tions have to be made. All three parties to the bargain - the broadcaster, the sponsoring company and the viewer - have to gain something as a result.

"Sponsorship is not something to be afraid of, it is something to be welcomed provided it can be kept in reasonable balance," Mr Miles said.

The IBA has recently set up a working party under the chairmanship of Claire Mulholland, its deputy director of television, to review the present rules on sponsorship. The working party is due to report in the new year. At the moment, the possibility of accepting sponsorship money is limited to factual portrayals of "doings, happenings, places or things" - a definition that includes documentaries but not news. There must also be no direct link between the business of the sponsor and the subject matter of the programme.

Mr Michael Checkland, the director general of the BBC, has also recently made it clear he would like to be able to use sponsorship money, particularly as "seed money" for joint ventures with producers. The Government has made it clear it wants independent television to have access to 25 per cent of Britain's four national television channels.

Mr Checkland is talking with the Home Office to try to clarify what is and what is not possible under the BBC Charter. "I believe we should at least be able to give sponsorship credits for doings, happenings, places or things" - the Open College, Mr Checkland argues. At the moment the BBC cannot apparently carry a sponsor's credit on an Open College education programme.

A further indication that sponsorship on television is becoming a live issue came last Tuesday when the BBC and the ITV company agreed a joint seminar which looked at the whole field. The seminar had partly been prompted by growing BBC concern about "product placement" - the deliberate placing of branded products such as beer in visually prominent positions in American detective series.

As broadcasters and potential sponsors move to try to define what is acceptable in terms of sponsorship or co-funding of programmes, the ground rules on coverage of sponsored events such as sports fixtures have been considerably clarified.

The European Broadcasting Union has a model contract covering advertising at televised football matches. It specifies, for example, that perimeter advertisements should be the normal advertisements that are always there and likely to have been there from the start of the season.

But the BBC has in recent months been tightening up its portrayal of cigarette smoking during sponsored snooker competitions. Now, when a player lights up a cigarette between shots, the picture is not shown - even at the risk of having to broadcast irrelevant shots of his legs or the audience instead.

Raymond Snoddy

Sport in action

Sponsors are on the ball

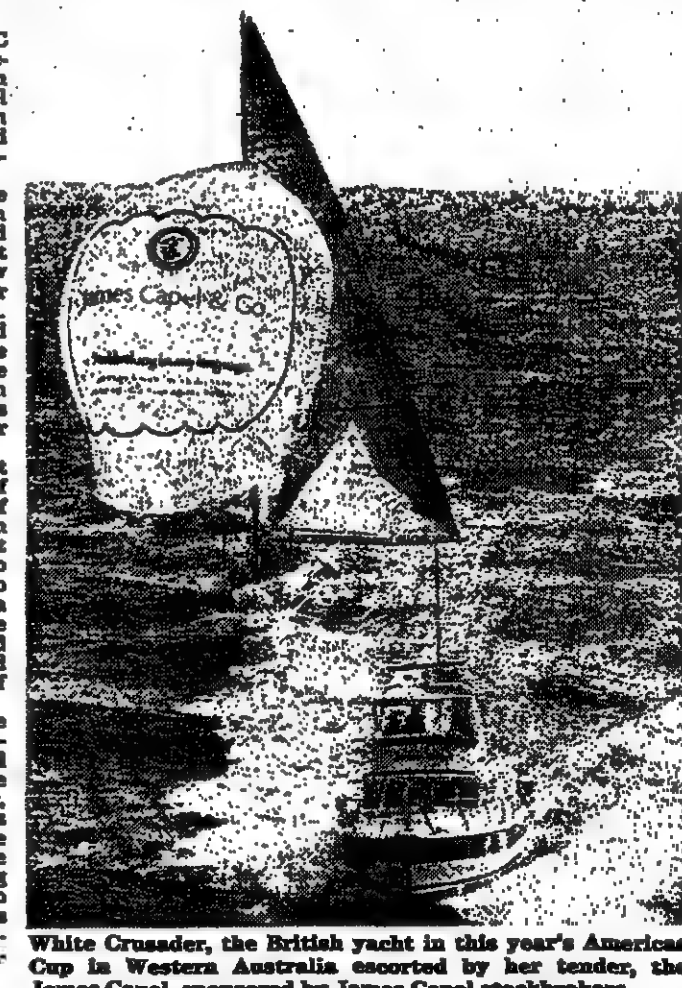
CROWN PAINTS versus NEC hardly sounds an attractive soccer fixture. But Arsenal's victory was a packed when Liverpool (Crown Paints) and Everton (NEC) clashed in the third round of the Littlewoods Cup on October 26.

Soccer sponsorship has come far since the early 1970s when Texaco and Wembley led the way with custom-built knockout tournaments. Now sponsors prefer to link their name to an existing competition. The Milk Marketing Board and Canon successfully hijacked the League Cup and Football League respectively. Both achieved high profile coverage, with journalists and broadcasters using their names with abandon.

The downside, however, is that both bowed out at the end of their contracts in the wake of the Heysel Stadium disaster in Brussels and the fire at Bradford's Valley Parade two years ago. Today stepped in to replace them. Both achieved high profile coverage, with journalists and broadcasters using their names with abandon.

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White Crusader, the British yacht in this year's Americas Cup in Western Australia escorted by her tender, the James Capel, sponsored by James Capel stockbrokers

the Mobil's European Grand Prix circuit. Overall, TV exposure has surged dramatically, but the quality of performance has not. There is evidence that the viewing public is tiring of mediocre non-competitive meetings.

To keep sponsors' interest it might be necessary to cut back the quantity of coverage, and improve quality of performance. For all athletes to continue thriving sponsors must be brought into every level of the sport, from regional to national, from youths to veterans. As Alan Pascoe says: "Once you have funded the show window, it is critical that you provide for the future by funding other elements of the sport, building it up in depth and breadth."

Of the six sponsors currently involved in major British events, Pearl Assurance, Peugeot Talbot, Kodak, McVities, Dairy Crest and Grolink, the latter two do their bit for the grass roots, sponsoring British junior televised events and the Young Athletes League respectively.

This year the British Dairy Council doubled its involvement in junior athletics by sponsoring both the English and Welsh Schools Championships, and the finals of the Schools Cup. At senior level, HFC is sponsoring area leagues, while long-term sponsor of the National League, Guardian Royal Exchange, has renewed its commitment to sponsoring The Sprinting for Britain Challenge, to find the fastest 13-15-year-old boy and girl in the country.

The money being ploughed into British athletics is paying dividends. British athletes won no fewer than nine gold medals in this year's junior European Championships. On the track at least, Britain finished ahead of East Germany and the USSR.

Brian Bowen and Nicky Williamson

BUSINESS SPONSORSHIP LINK EXHIBITION

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BUSINESS SPONSORSHIP 3

The future for arts sponsorship is bright, despite some risks, writes Antony Thorncroft

Hunt is on for imaginative tie-ups

THE ARTS and Mimon are locked in an embrace which, give or take the odd inch, is providing mutual pleasure. In 10 years, the amount of money that business has invested in the arts has grown from well under £1m a year to approaching £30m.

If you add in the money spent by companies on entertainment at, and promotion of, the events they help to finance, the actual expenditure will almost double. Around 900 companies have had some experience of arts sponsorship, and the Association for Business Sponsorship of the Arts - which has laboured for 11 years to act as an honest broker between the two sides - is confidently forecasting that by 1992 business might well be underwriting the arts with £60m.

Of course, success has created problems. With business rallying round so enthusiastically, the government's main paymaster of the arts, has seen the chance to make savings. Successive arts ministers have maintained that corporate sponsorship is a substitute for the money the government provides for the Arts Council and the national museums. But it has increased its expenditure on the arts (up from the millions of pounds pumped into the new British Library) by less than inflation for the past three years.

It has now raised the spectre of challenge funding, under which arts companies must prove their

efficiency by boosting their income, through sponsorship among other means, in order to receive government aid. This policy, which has not been completely thought through, has already started a political row in the arts world. Who should administer challenge funding - the Arts Council or ABSA?

The Arts Council has the experience but ABSA has been running the Business Sponsorship Incentive Scheme, a form of challenge funding which has raised almost £16m of new money for the arts in three years. This year the BSIS exhausted the £1.75m advanced by the Government in less than six months, to great embarrassment. The scheme is being re-thought for 1988-89 and the hope is that the budget will be raised to nearer £5m. But if this happens, the Arts Council may well have to make a few more grants.

It is a pity that politics has entered the funding of the arts. On the ground, the relationship between business and arts groups is good. Against expectations, many of the keenest sponsors are medium and small companies operating in the regions. The big national companies based in London have not creamed off all the money. The BSIS has gone out of its way to encourage new sponsors supporting imaginative, even avant-garde arts companies.

The trade union, Nalco, qualified for a BSIS top-up by sup-



Out damned spot

porting a play at the Young Vic, solicitors, for example Northampton based Howes Percival, were rewarded for helping a tour by the Orchestra of St. John's Smith Square; and Eurotunnel has become a speedy arts sponsor, sweetening the local community by contributing towards a concert at Leeds Castle in Kent.

It would be naive to think there are no problems in the increased dependency of the arts on business sponsorship. Institutions like the Royal Court and Stratford East theatres have attracted few sponsors - their commitment to anti-establishment plays has scared off potential backers. There are also companies - the new English Shakespeare Company comes to mind - which have made their existence very dependent on the loyalty of one commercial friend, in this case the Allied Irish Bank.

Arts groups do not consciously succumb to the pressures of would-be sponsors, but probably gear their programming to more commercial work in order to offer potential backers a more appealing backdrop for entertaining customers, existing and prospective, and friends. There has also grown up the practice of sponsorships lasting just three years. After that, companies feel they have done their bit and look for pastures new. This can leave arts groups feeling financially vulnerable.

Considering the risks, however, there are many more satisfied partnerships than unhappy couplings. Knowledge on both sides has increased tremendously, helped by specialist companies in this field. Advertising agencies, like Saatchi & Saatchi, now have subsidiaries which compete with established firms like Kellaway, in the organisation of the big events.

Entertainment has become a paramount importance. Business deals completed on the basis of introductions forged at Glynde-

bourne or Covent Garden are now common. This is a good thing since the other major reason for arts sponsorship - media publicity - has often proved disappointing.

The BBC, in particular, is reluctant to mention sponsors, as Harveys of Bristol knows to its cost. For many years it has backed the Leeds Piano Competition and indeed has officially changed the name of the event to the Harveys-Leeds. But when it evaluated its publicity from the recent contest, it had been credited in only 18 newspapers as against 316 which referred to the event as just the Leeds. It blames the BBC for dropping the link in its listings, as well as in its coverage.

Not every sponsor seeks a marketing advantage from its aid. Marks & Spencer is still happy to do good mainly by stealth, with the £500,000 it pumps into the arts each year concentrated on youth ventures in deprived parts of the country. But, increasingly, sponsorship forms part of the overall marketing budget (this way it qualifies for tax relief) and the investment is evaluated. Some companies, Mobil, for example, with its touring theatre, actually goes some way to recouping its expenditure. Its production this year, Rosencrantz and Guildenstern are Dead, which visited many provincial cities, enabling Mobil to entertain contacts, made it to the West End for a brief run.



Dave Willetts, the new 'Phantom' of the Opera, is helping to publicise Help the Aged's new sponsorship brochure (itself sponsored by Barclay's Bank).

Another company to extend its arts sponsorship into every part of its marketing is Digital, the American computer company, which is the leading supporter of dance in the UK. Lloyds Bank, too, is advertising extensively its aid, totalling \$500,000, for the Art in Plantagenet England exhibition.

The future for arts sponsorship is bright. The government is unlikely to allow any additional tax relief on giving to the arts - and those already announced to encourage individual giving are too small and too complicated to have much impact, but there is still considerable mileage in being linked with arts ventures. After all, the arts are one of the great British success stories. It is significant that foreign companies, especially the Japanese, have been very generous in their aid. The V & A and the British

Museum have been major gainers.

The hunt is on for more imaginative arts tie-ups. Competitions are the favourites, especially those which might attract the television cameras: supporting yet another orchestral concert has lost its appeal. The arts still sell themselves too cheaply. When substantial sums are involved, like the £100,000 usually needed to back a new opera production at Covent Garden, sponsors are thin on the ground.

They should raise their sights, and invest in success. Companies will find arts groups ready to meet them half-way - and more; but they would be foolish to exploit the current poverty of most arts organisations. They should not let the Government shirk its responsibility in underpinning this national treasure.

Sports Council

Move to 'communicating through sport'

ATTITUDES TO sports sponsorship are changing. Derek Etherington, the Sports Council's sponsorship consultant, says that not so long ago the crucial question for a potential sponsor was "Shall we get on TV?" The attraction of a few hours' prime-time viewing with the company logo showing up big every few minutes was irresistible. "But now," Mr Etherington says, "of Britain's 1,600 major sports sponsors, only one in 11 gets TV time."

Mr Etherington, former marketing director of Leadbroke, says that sponsoring companies are obviously finding ways of contacting consumers in a different way. He sees a future in which the word "sponsorship" will be replaced by something called CTS - "Communicating Through Sport", an operation which will bring local sponsors in touch more effectively with people.

TV has always been the real lollipop of sports sponsorship. Why did John Player pull out of the Sunday League county cricket matches? When the tobacco company originally took over the competition, they were guaranteed coverage of an entire game, ball by ball, on BBC every Sunday afternoon of the season. This was reduced when Sunday afternoon Grandstand was introduced, with several Sunday sporting events featured, including bits of cricket. "I don't know whether this influenced Player's decision to pull out, but it may have," says Etherington.

If success is to be calculated by figures, then it seems there is an unanswerable case for sports sponsorship. In five years the money going into UK sport has risen from \$50m a year to \$160m and that is only the "up front" figure. Adding the cost of marketing, promotion and other factors, gives \$250m a year, about 10 per cent of all TV and press advertising in the UK.

What do both sides get out of it? The classic example is the sponsorship of the five day Test cricket matches by Cornhill Insurance, little known outside the City of London, into a household name. And Cornhill's investment in what dedicated fans call "real cricket" probably saved the five day game. John Player's sponsorship of Rugby Union with the John Player Cup made the game more competitive than ever before and set the standards at Twickenham thinking more seriously about the issues of amateurism and professionalism.

So it is a two-way traffic. Not so very long ago, a senior executive of Trust House Forte told media-people at the launch of a new horse-racing sponsorship: "Sponsorship is not a charitable institution."

Mr Etherington at the Sports Council echoes this when he says: "A company will ask 'What shall I buy?' Sometimes you will have three answers to this which, combined, will give you the right answer. A company chairman looks for something which will extend the range and image of his company and at the same time thinks of his own personal sports interests. The sales and marketing people have their own ideas which are obvious. And the PR and community affairs people have their own much softer interests - local opportunity, staff morale and better communications."

Mr Etherington believes that with these three interests working together a successful sponsorship package can produce advantage for both sides. To go back to the classic example of cricket: not so many years ago, the career of a good county professional was no bed of roses. His pay was low and he had to travel a great deal. He certainly saw none of the glittering prizes that soccer stars could rely on. Older pros have written about staying at down-market boarding houses for an away game and travelling to the ground in a tramcar.

Sponsorship, some people will argue, has played a big part in changing all that. Pay is better and the three limited over competitions, sponsored by Benson and Hedges, NatWest Bank and Refuge Insurance (which took over the Sunday League from John Player) offer good prize money. Some professionals are picking up six-figure jackpots from their benefit and testimonial seasons.

Snooker could never have risen from a slightly superior bar game to an international sport with an audience of millions without television and the sponsors. Now it turns taciturn young men in waistcoats into millionaires faster than the textile industry did when soldiers started wearing khaki.

Where do we go from here? Mr Etherington says the biggest growth area in sponsorship is in the "money business" - the banks, insurance companies and finance houses. General Accident is deeply involved in horse racing, NatWest in cricket, insurance brokers Stewart Wrighton sponsors the Army and Navy rugby games, an appropriate choice since one of its specialist fields is selling insurance policies to servicemen.

The world of sport will always include more than its ration of entrenched reactionaries. There are still some who see what appears to them as the takeover of a sport or a club by big business as somehow un-British. But moods are changing. How many lowly League soccer clubs on the brink of bankruptcy were saved by a last-minute injection of cash from a local company with motives that were not entirely altruistic? After all, it could not do the company's image and sales much harm.

At the top of the tree, Queens Park Rangers, the West London club guided to the path of success by Terry Venables, are now struggling with Liverpool and Everton for the First Division championship. How far did Venables' £500,000 deal with Guinness, master-minded by Ernest Saunders a few years ago, put the club on the glory road? There is no answer to this.

What makes a winner? True grit or sponsorship? Whatever the answer, Mr Etherington sees new growth areas - the food companies which have been slow to make their claims and the cosmetics and toiletry interests looking for women's sports to take under their wing.

He makes an important point for sports looking for sponsors. If you approached Rolle-Royce and asked them for some sports sponsorship, they would probably look for a sport with followers who can afford to buy a Rolls. As the man said, sponsorship is not a charitable institution.

Alan Forrest

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BUSINESS SPONSORSHIP 4

A surprising partnership

Singing the praises of a beefed-up image

A MATCH between a company selling bulls' semen to cattle farmers and a regional opera company producing Così fan tutte sounds unpromising, but has proved to be one of the surprise success stories of business sponsorship of the arts this year.

Opera West, a leading regional opera company based in Ayrshire, Scotland, had planned an ambitious production in April this year of the Mozart opera, involving the Scottish National Youth Orchestra, making its first appearance in a theatre pit, Elisabeth Schwarzkopf, the world-renowned soprano and Opera West's honorary president, offered to travel from Germany to tutor the company in rehearsal. But the project was ready to founder without a swift injection of cash.

Rescue was at hand in the form of Semex (UK Sales), the largest independent artificial insemination company in the UK, but still a relatively small concern with some 30 staff based in the village of Dalrymple.

Gavin Miller, Semex's promotions co-ordinator, says the com-

pany had no direct experience of sponsorship outside of awards for local children's events. "We felt we had reached a stage where we were well known to our customers through agricultural press advertising, but hardly known at all in our own backyard."

The proposition put to them by Opera West "seemed to have a lot going for it": it was the first time the National Youth Orchestra had been in a pit and the associated prestige of Schwarzkopf "was bound to attract media attention."

Mr Miller admits that the decision to offer the company a sponsorship package worth £15,000 over three years was not entirely motivated by a desire to bring culture to the citizens of Ayr. Evangelism of a different kind was involved.

"When people discover what we do it tends to produce a snigger. We wanted to educate them about the company and the benefits of artificial insemination in general."

In the run-up to the show the company benefited from the con-

siderable press coverage on the arrival of Schwarzkopf. During the course of the production it mounted a display in the foyer of the Gaiety theatre and if the audience were left in any doubt as to the company's business a banner bearing the legend "Semex breeds success" filled them in. The company was also able to take clients to the performance and afterwards to back-stage parties.

In the longer term, over the three-year sponsorship period, Opera West's stationery bears the Semex logo.

The potent combination of disseminating art and artificial insemination produced considerable publicity in local papers, in the agricultural trade press and in the Glasgow Herald. Further exposure followed when Richard Luce, the Arts Minister, presented the company with a Business Sponsorship Incentive Scheme award which matched the company's £5,000 with government money.

Inside the company reactions to the project initially were mixed. Mr Miller admits there were "a few raised eyebrows," but the wisdom of beefing up the company image in such a creative way was soon appreciated and the majority of staff attended the show.

The knock-on effect from the press coverage has been significant. Mr Miller says that recruiting is far easier because the company is now well known locally.

As to Semex's future commitment to sponsorship, Mr Miller says the company is now firmly convinced of its benefits and will investigate other ventures, but to the relief of sports commentators nationwide adds: "I don't think the day will ever come when Glasgow Rangers run out onto the pitch at the Cup Final wearing Semex emblazoned on their shirts."

Alison Lobbett



Christ on Cross, late 13th century. Lent by V&A to Royal Academy of Arts exhibition, the Age of Chivalry. Lloyds Bank is spending £400,000 on sponsoring the exhibition.

Royal Shakespeare Company

Is this a red shield I see before me?

FEW ARTS groups can have made such an impact in recent years, both nationally and internationally, as the Royal Shakespeare Company. As its reputation has grown, so have its activities: until this year it was operating in six theatres - three in Stratford-on-Avon and three in London.

The problem with such an expansion, however, is that it depends on constantly rising revenues, both from the box office and from subsidy. The RSC has been very effective in generating its own income and relies on subsidy for less than 40 per cent of its income. But in 1986 it had a disastrous year at the box office in its show case Barbican theatre, and this summer had amassed a deficit of over £1m on a turnover of around £15m.

It has been partly rescued by Royal Insurance which has agreed to pump in £1.1m in sponsorship over three years, with the emphasis on an annual four week national tour to the main cities, something the RSC has been unable to contemplate in recent years.

For its cash - the biggest single sum committed by a commercial company to an arts organisation in the UK - RI becomes the sole overall sponsor of the RSC, with its symbol of a red shield appearing on all RSC publicity. It has experience sponsoring the RSC in the past, with the Armchair Proms which were designed to get the young into the Barbican at bargain prices, but this time the relationship will be very close.

The Royal might end up spending nearer £2m through buying tickets, entertaining at the various provincial ports of call, and advertising the link. It will expect the RSC to co-operate in its own advertising campaigns - it might, for example, use RSC venues for its own marketing. Entertainment is very important but so is the public exposure of

the RSC. Around 1.2m people see its performances each year and they will not be allowed to forget that the Royal is a major supporter of the company.

For the RSC there was one major drawback about the Royal sponsorship: it might have frightened off other potential backers. This year its tour to smaller venues will be supported with £140,000 from Nat West Bank. But the bank feels that, after five years, it has done its bit and the RSC is looking for a new sponsor for this enterprising event which takes the company to venues such as Newbiggin-by-Sea and Stoke-sub-Hamdon.

The RSC is also finding it harder to get sponsors for new productions, mainly because companies want to be associated with tailor-made events, rather than one-off connections.

The Royal's money prevented the RSC from experiencing a midsummer financial setback. As well as underwriting the regional tour, its cash will go towards an endowment fund which will act as a fall safe to the RSC if it encounters future financial setbacks.

It does not solve the underlying economic problem of a frozen government subsidy during a period of ever-rising costs. In the next two years royalties from the hugely successful Les Misérables and, to a lesser extent, Kiss Me Kate, will help to bridge the deficit.

But the RSC has been forced to make its February season at Stratford the occasion for a commercial venture which will be seen in London: it will be Carrie adapted from the novel by Stephen King.

Antony Horncroft

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Charities

Talking sponsors' language

THE RELATIONSHIP between business and charity until relatively recently could have been summed up by the image of an enthusiastic, bearded man, waving to the better nature of a successful man with a cigar. But in an economic climate which encourages the survival of the fittest, those caring for the helpless and supporting the unprofitable cause have been obliged to make a swift entry into the commercial arena to compete for sponsorship.

Charity is now big business. In 1986 receipts totalled \$12.66bn, with some \$200m donated by corporate sources. As charities have woken up to the idea that more funds can be raised from working closely with companies, so businesses have realised that giving to charity can be more than a social duty.

The British Lung Foundation epitomises the new attitude to sponsorship. Dr Malcolm Green, the charity's chairman, stresses BLF is geared towards "giving sponsors something for their money". Its latest venture has already been named sponsorship of the year, which means that British Airways will back a production of Cinderella at Covent Garden with the charity collecting an estimated \$150,000 proceeds from the December gala opera.

Dr Green has noticed a dramatic change in the approach to sponsorship: "quite often it was a personal link, say the chairman's wife's favourite cause, which used to trigger a sponsorship. Now charities are far more businesslike and companies far more switched on to the commercial possibilities."

But he warns that sponsorship, however generous, does not offer a satisfactory alternative to proper government support for medical research. "The case in respect of medical charities is particularly dangerous - business is increasingly sympathetic, but the Government should match its contributions."

Most charities are not in a position to be selective about their patrons, but when there is a logical link between cause and sponsor the results can be particularly fruitful.

Two years ago, Pearl Assurance set up their Parentcare Club to raise money for the NSPCC to establish a national network of child protection teams. To join, parents make a minimum donation of \$5 to the National Society for the Prevention of Cruelty to Children, for which they receive a quarterly magazine and a voucher book offering savings against several baby products including the first premium on a Pearl child savings policy.

The club has already raised more than \$350,000 for the NSPCC and the company says it has proved a highly successful way of generating new business.

Another product-promotion sponsorship success was scored last Christmas by Dr Barnardo's and Thaxx which ran a pass and point of sale campaign undertaking to make a donation for every watch sold towards a new children's home, guaranteeing a figure of \$75,000. Dr Bill Beaver of Dr Barnardo's said: "I wanted to involve their retailers more and we offered them a marketing solution."

This example of a charity talking the sponsor's language and working with a company to meet commercial criteria, is spreading as organisations realise that a positive proposition generates more response than a top-down appeal.

The more constructive attitude amongst companies towards charities is typified by American Express. This year the company is sponsoring St John Ambulance for \$5.5m, offering the charity its expertise in a number of areas including the organisation and funding of a national advertising campaign. David Barnes, UK corporate relations manager, says: "American Express has more to contribute than simply money - practical help can stretch much further."

Richard Radcliffe, charity services director of the Charities Aid Foundation, is convinced that greater funds could be accessed if charities became more businesslike and if companies were aware both of the enormous tax advantages attached to projects involving an "element of goodwill" and the "pulling power" of a good cause harnessed to a commercial end.

The World Wildlife Fund which led the way in charity sponsorship over two decades ago with Brooke Bond, is proof that business and benevolence are compatible. Sixteen staff, refreshingly unapologetic about their hard-nosed approach, are responsible for fundraising. An appeals team targets conventional charity budgets and a marketing group, all with business backgrounds, competes for PR and marketing funds.

Kate Brooks of WWF says their commercial know-how takes companies by surprise and gives them an immediate advantage. The charity raises more than \$1m annually from toughly negotiated product-linked sponsorships with such big names as Cadbury's, Heinz and Fiat. But Kate Brooks admits the secret of their success isn't purely commercial: "We are very lucky to have an extremely attractive end product."

For those not fortunate enough to be able to offer cuddly

pandas, competition for sponsorship can be double-edged, with some causes often the most needy - proving too unpalatable for most companies.

Sarah Woolf, direct marketing executive of Action on Smoking and Health (ASH), voices the anxieties of many charities. "It is very easy for us to get support for projects related to children, but others are more difficult. There is a danger you'll gear what you're doing towards something you can find sponsorship for, not something that really needs doing."

Small charities working in less marketable fields such as drug abuse find the problem particularly acute. Their staff are experts in caring, but uncomfortable in a marketing environment and their budgets will not justify hiring a professional fundraiser.

A recent solution has appeared in the shape of Charity Projects, founded to raise money for "unattractive" causes such as alco-

holism and homelessness. Jane Tewson, founding director, had worked with other charities and was looking for an organisation which could offer sponsors what they would expect from their other marketing ventures - a target audience, publicity and an image boost.

To date, Charity Projects has set up the hugely successful Comic Relief and the Great Investment Race, backed by Prudential, Holborn Unit Trusts, which has raised some \$4m from City institutions. All money Jane Tewson points out, that would not otherwise have been available to the voluntary sector.

Whether this new commercial edge to charity eventually brings about more innovative joint ventures or the collapse of small charities which cannot compete, one thing is certain - the days of the well-meaning amateur are numbered.

Alison Lobbett



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BUSINESS SPONSORSHIP 5

Tobacco companies

Anti-smokers lobby



Jackie Beagles (standing) was seconded by ICI as office skills instructor at Fullempley Lawtman Project

Inner city charities

Enlightened self-interest

CORPORATE sponsorship of "socially responsible" projects and causes, often in the inner cities, is on the verge of a dramatic expansion.

The expansion is needed if British business is to match the community-giving performance achieved in the US, where the average level is 1.7 per cent of pre-tax profits, compared with our 0.1 per cent. However, three factors suggest that the opportunities to close the gap are there.

Government is pressing the private sector to play a leading part in ambitious partnerships to bring about urban renewal. And new initiatives are in hand, such as the Prince's Youth Business Trust, to raise millions of extra pounds from corporate sources.

Second, the boardroom mood is more favourable than ever, judging by the widening circle of companies that are committing themselves to socially responsible policies, and the attention that the question of urban renewal received at the Confederation of British Industry's annual conference in Glasgow recently.

A resolution was passed calling for further steps to promote the partnership between the public and private sector on urban renewal. The CBI also announced the setting up of a task force to report on improving the effectiveness of private sector involvement.

The Per Cent Club of companies which have pledged to spend up to 1 per cent of their pre-tax profits on socially responsible sponsorship, shows continued growth and has passed the 100-member mark. In the City of London, the annual Dragon Awards Scheme was launched in July by the Lord Mayor. Statutes will be presented to firms with headquarters in the square mile which have contributed significantly to the improvement of community life and employment opportunities in the year.

The third favourable factor is that expertise and effective means of delivery exist, having been fashioned in the period since 1980-81. In 1980 Business in the Community was set up by a number of companies to promote the concept of socially responsible sponsorship and to help the private sector shape its policies and put them into practice during a time of recession and mounting unemployment. The inner city riots of 1981 jolted many more companies into participation.

The Local Enterprise Agency network is virtually the creation of private-sector sponsorship in the period since 1981, and is based upon the pioneering work of Pilkington which in St Helens set up one of the first of the LEAs in the late 70s. Sir Alistair Pilkington was a founder member of BIC.

There are some 250 LEAs throughout the country, sponsored in total by around 4,000 companies. The LEAs' function is to help would-be entrepreneurs start up in business, and support them with a range of services. Seats on the boards of the self-governing LEAs are occupied by representatives of sponsors, which, in keeping with the partnership principle, may include local government as well as companies.

One aspect of sponsorship, it also includes support for housing projects, education, training, job creation, the advancement of ethnic minorities, provision for disabled people, conservation schemes, loan funds for start-up small businesses, low-rent workspace units, and award schemes to promote enterprise.

In Halifax in Calderdale, a partnership which includes BIC is attempting to put new heart into the borough through a programme of refurbishment and renewal. One of its main backers, Rowntree Macintosh, has loaned £200,000 interest-free to the partnership to fund low-interest loans to approved projects to help restore buildings and sites.

Sponsorship is not always given wholly in cash. It may also take the form of secondment of staff to organisations and projects, donations in kind (computers are a favourite), and assets such as premises.

Along with BIC and the LEAs, many other organisations receive sponsorship to carry out socially responsible work. These include, The Prince's Youth Business Trust, Project Fullempley, which helps ethnic minorities with training and employment, Action Resource Centre, which promotes secondment as one of its activities, the Small UK-backed Livewire national competition for young entrepreneurs, individual community programmes, and community trusts.

Sponsors say that they are motivated by enlightened self-interest. In moving the resolution on urban renewal at the CBI annual conference, Patrick Sheehy, chairman of BAT Industries, said: "We cannot stand aside from difficult social problems, if only because the health of the society in which we live as citizens, and operate as businessmen, is crucial to our success and well-being."

Given this philosophy, it is a matter of little surprise that the clearing banks, with their stake in local communities through their branches, are leading sponsors of the LEAs, particularly with secondment support. Among the high street retailers, Marks & Spencer and Boots are prominent sponsors of LEAs.

Socially responsible sponsorship builds upon the older tradition of charity giving that has been a feature of British industrial philanthropy since the mid-nineteenth century. In the post-Second World War decades the pendulum swung towards state provision, but the climate of the present times, and favourable changes in taxation, including the innovation of payroll-giving for employees, appears to be restoring a fashion.

The Charities Aid Foundation would like to see more done by the corporate sector for its causes. Michael Murphy, director of CAF, in his foreword to Charity Trends 1986-87, complains that the total pool of contributions from the corporate sector to registered charities is less than £200m out of an estimated total income for 1985-86 of over £12bn.

Alexander McDonald

TELEVISION VIEWERS of the recent Grand Prix snooker tournament - won by 18-year-old Stephen Hendry - might have been forgiven for wondering what had happened to the sponsor's name, which appeared on screen only when necessary for the game to be covered.

Rothmans (UK), the tournament's sponsor, had for the second year running been subjected to the BBC's new tougher approach to tobacco companies' sponsorship of sport on television.

The BBC had been forced to act after intensive lobbying about the level of tobacco sponsorship on television. This lobbying included each BBC governor being sent copies of photographs taken "off air" clearly showing a tobacco sponsor's name.

Rothmans last year had less than one month's warning that the BBC was unhappy with the prominence of the sponsor's name on the set and - indeed - the colour of the set itself.

This year Rothmans said it had "an excellent relationship with the BBC" but a spokesman admitted that "it was not the set we would have chosen for the tournament".

Rothmans, like all the tobacco companies, is well aware that less exposure of its name and product colours on television means that it is getting less value for money from its sponsorship. But the company pointed out it is contracted to sponsor the Grand Prix tournament for a further two years, so there was no question of it pulling out.

Rothmans, moreover, supports snooker significantly further than just the televised Grand Prix. It sponsors a Matchroom League, where eight of the top players appear at 14 venues around the country to give fans the chance to see world-class snooker in action.

The company also supports a major amateur snooker championship to give aspiring professionals the chance to break into the big time.

But it is television coverage which counts at the end of the day for the tobacco companies, since cigarette advertising has been banned from television for the past 22 years. It is also now banned from cinemas, while poster and press advertising is hedged with restrictions.

Tobacco companies in the UK, as in most other Western countries, have faced increasing pressure over the past two decades from governments seeking to

raise revenue from cigarette taxation, as well as more effective lobbying by anti-smoking pressure groups.

The result has been a slump in cigarette consumption as more and more smokers have given up the habit. But for the major players in the UK market - Rothmans, Imperial, Gallaher, and Philip Morris - the issue is not so much trying to turn the tide back and boost overall cigarette consumption but, rather, to ensure that market share is at least maintained if not actually enhanced.

Although the advertising that is allowed is one means of achieving this goal, "below-the-line" promotional activity such as sponsorship is to many marketers an even more effective means of supporting brand loyalty.

Collectively, the tobacco companies spend about £10m a year on sports sponsorship, £2m on the arts, and a further £2m or so on other forms of sponsorship.

Without this money, would those sponsored survive? Some 18 months ago there were signs that the Sports Council and the Government would between them move to end sports sponsorship by tobacco companies by the end of the decade.

But such a development looks increasingly unlikely, especially following the appointment of Mr Nicholas Ridley as Environment Secretary last year and the arrival of Mr Colin Moynihan as Sports Minister after this year's General Election.

Before Mr Ridley took over as Environment Secretary, it had seemed likely that the voluntary code of practice on tobacco sponsorship of sport - which was being renegotiated - would take a much tougher line with the tobacco companies.

But when it was published earlier this year, the changes in the agreement - which runs until October 1989 - were considered to be minimal and angered the anti-smoking campaigners. Under the new agreement, spending on sports events would be reduced by about 10 per cent - effectively a freeze when allowing for inflation - while the companies agreed not to sponsor events aimed primarily at teenagers.

Mr Moynihan made it clear recently that the "Government recognises that smoking is not banned in this country and that therefore it is legitimate for companies operating in the tobacco industry to advertise and sponsor sport."

Mr David Simpson, director of Action on Smoking and Health, believes that the BBC is still the main culprit when it comes to giving free advertising to tobacco companies. "The television companies give about an hour a day of free advertising for cigarettes, and 97 per cent of that is on the BBC," he claims.

David Churchill

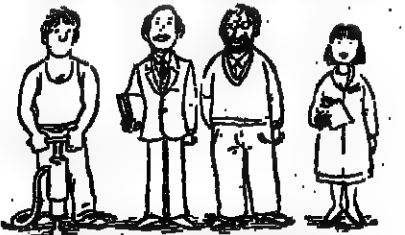
Just what's wrong with your staff?



Heart and Circulatory Disease 71.8 million working days lost a year.



Respiratory Illnesses (including colds and flu) 32.4 million working days lost a year.



Backache 29 million working days lost a year.



Diabetes 4.7 million working days lost a year.



Cancer 4.5 million working days lost a year. (Days certified incapacity for work: 1984/5 DHS)

The biggest cause of time off work may not be what you'd expect.

It's not colds and flu, not backache, nor strikes and disputes, but heart disease that keeps 200,000 people away from work every single day.

Not only that, heart and circulatory disease remains the biggest cause of premature death in the country.

This is why the research work funded by the British Heart Foundation is so important. Because only through research can we hope to better identify the causes of heart disease and the means of preventing it.

Now you and your company can play a part in this vital work.

The new Give As You Earn Scheme means that employees can now make donations to the BHF - direct from their payroll and without paying tax.

Find out how how your company can help the BHF through the Give As You Earn Scheme.

And how you can help us put the heart back into British Industry.

WORKING TO KEEP BRITISH BUSINESS HEALTHY.

Please send me details on the Give As You Earn Scheme. ☐

Please send me a FREE BHF Give As You Earn Poster to display at work. ☐

We'd like to know more about the work of the British Heart Foundation. ☐

Please send me a FREE calculator (index so) can see how much heart disease is costing our company. ☐

Name: _____

Position: _____

Company Address: _____

Send this coupon to: The National Appeals Office, The British Heart Foundation, 43 Gloucester Place, London W1H 4DL.

British Heart Foundation
The heart research charity.

The Age of Chivalry is alive and well.



Lloyds Bank announces the UK's biggest-ever visual arts sponsorship.

The Royal Academy of Arts, 6 November 1987 to 6 March 1988.



A THOROUGHbred AMONGST BANKS.

INSURANCES

Continued on next page

ET UNIT TRUST INFORMATION SERVICE[illegible]

[illegible][illegible][illegible]

SECRET

INDUSTRIALS—Continued

	Weeks	Spots	Prints	Sec	Ctr	Wtr
Nov	Nov/14/15	12	3218	94	25	32.0
Dec	Dec/1/2	10	2918	94	25	32.0
Jan	Jan/1/2	10	2918	94	25	32.0
Feb	Feb/1/2	10	2918	94	25	32.0
Mar	Mar/1/2	10	2918	94	25	32.0
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Mar	Mar/1/2	10	2918	94	25	32.0

Mayborn Group SpA	21	21	21	21
Medical Research	21	21	21	21

[illegible]

Power Corp.	124				
Sept. Powell Duffryn 50s	345	15.6	16.5	1.5	6.6

[illegible]

Talbor Sp.	21	11.5	1.0	1.0
Task Force Sp.	100	24.8	1.32	4.0

[illegible]

Waterford Glass 3p	60	24.8	906.2%	2.0	5.1
Wellcome	323	11.5	12.08	3.2	0.9
Welsh 7p	28	29.6	0.35	6.4	1.7

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REGIONAL & IRISH STOCKS

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

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Continued on Page 45

مركز ابحاث

Have your
hand deliver

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

US deficit problems and G5 discord see dollar at record lows

BY COLIN MILHAM

A HECTIC week saw the dollar fall to record lows against the D-Mark, Swiss franc and the yen, and sterling climb to its highest level for nearly six years against the US currency.

Disagreement among members of the Group of Five encouraged the dollar's fall against the background of very large US budget and trade deficits.

There was no sign that the Reagan Administration would agree to tax increases, and a cut of about \$40bn in the Budget deficit, to stabilize the dollar.

European members of G5 and Japan regard the US budget deficit as the main problem preventing stability on the foreign exchange market.

changes. On Friday Mr Thomas Foley, a US congressman, said the maximum cut in the budget deficit would be \$20bn.

Republican leaders later suggested a reduction of \$75.5bn over two years, but only some \$28bn was expected in the first year, and about \$5bn appeared to involve politically sensitive social payments, which are unlikely to be cut, bringing the figure back to \$23bn.

The US has a rather different view, regarding tight West German monetary policy as a major problem. The Bundesbank cut some of its leading interest rates last week, but this appeared to be more an attempt to prevent a

crisis within the European Monetary System, rather than a move to defend the dollar.

Japan continued to promote the idea that the Paris agreement on currency stability is still intact, but had to face up to the fact that its own foreign exchange intervention would not prevent a dollar slide while other central banks took a half-hearted attitude.

Nomura Research Institute in London said that although Japan continued to resist a cut in its discount rate there was a limit to the pain barrier on currency rates, and an interest rate reduction may be not too far away.

The UK blamed the US for its budget deficit and West Germany for its monetary policy. A cut in British interest rates seemed most unlikely until the authorities were forced to react to falling share prices and a rising pound on Wednesday.

France kept a low profile and appeared to act behind the scenes. There must have been concern about the rise of the D-Mark within the European Monetary System and the potential

problems for the franc. Money flowing out of the dollar was attracted to the D-Mark rather than some of the other EMS currencies, but during the week the Bundesbank and the Bank of France agreed on a coordinated move to raise French interest rates and cut German rates.

Apart from the budget deficit the market will also be looking to the US on its trade position this week. A deficit of \$14bn to \$15bn has been forecast, compared with \$15.68bn in August.

In London, Nomura is forecasting a US deficit of \$14bn, while Morgan Grenfell expects \$14.5bn, and Phillips and Drew \$14.7bn which appears to be the median of the market's expectations.

Lloyds Bank in its latest international financial outlook forecasts the dollar will show a period of stability until the end of the year, but will fall again in 1988, touching DM1.58 and Y125 by September next year.

£ IN NEW YORK

Spot	1.7865-1.7875	1.7865-1.7875
1 month	0.32-0.34	0.32-0.34
3 months	0.32-0.34	0.32-0.34
12 months	0.32-0.34	0.32-0.34

Forward premiums and discounts apply to the US dollar.

STERLING INDEX

Spot	100.00	100.00
1 month	100.00	100.00
3 months	100.00	100.00
12 months	100.00	100.00

CURRENCY RATES

Currency	Rate	Change
Australian \$	0.7997	+0.0009
Canadian \$	0.7514	+0.0014
Deutsche Mark	1.5514	+0.0014
French Franc	6.5595	+0.0005
Italian Lira	2.3636	+0.0006
Japanese Yen	161.00	+0.0010
Netherlands Guilder	2.2037	+0.0007
Spanish Peseta	166.64	+0.0004
Swiss Franc	1.4833	+0.0003
UK Pound	0.7514	+0.0014

Source: Reuters. Last update: 11.00 AM.

CURRENCY MOVEMENTS

Currency	Rate	Change
Australian \$	0.7997	+0.0009
Canadian \$	0.7514	+0.0014
Deutsche Mark	1.5514	+0.0014
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Swiss Franc	1.4833	+0.0003
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Source: Reuters. Last update: 11.00 AM.

OTHER CURRENCIES

Currency	Rate	Change
Australian \$	0.7997	+0.0009
Canadian \$	0.7514	+0.0014
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French Franc	6.5595	+0.0005
Italian Lira	2.3636	+0.0006
Japanese Yen	161.00	+0.0010
Netherlands Guilder	2.2037	+0.0007
Spanish Peseta	166.64	+0.0004
Swiss Franc	1.4833	+0.0003
UK Pound	0.7514	+0.0014

Source: Reuters. Last update: 11.00 AM.

FORWARD RATES

Currency	Rate	Change
Australian \$	0.7997	+0.0009
Canadian \$	0.7514	+0.0014
Deutsche Mark	1.5514	+0.0014
French Franc	6.5595	+0.0005
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Japanese Yen	161.00	+0.0010
Netherlands Guilder	2.2037	+0.0007
Spanish Peseta	166.64	+0.0004
Swiss Franc	1.4833	+0.0003
UK Pound	0.7514	+0.0014

Source: Reuters. Last update: 11.00 AM.

MONEY MARKETS

A general round of interest rate cuts

THE BANK of England resisted a further cut in UK bank base rates on Friday, but opinion suggested a reduction is not out of the question this week.

Wednesday's signal that base rates should be cut by 1/4 p.c. to 9 p.c. resulted from a very weak stock market in London and a rise in the value of the pound.

The market then continued to push for another lowering of base rates, and can probably draw encouragement from

UK clearing bank base lending rate 9 per cent from November 5

events in Europe last week, where the Dutch National Bank and Swiss National Bank cut their discount rates, and the West German Bundesbank reduced its Lombard rate.

Interest rates and sterling are unlikely to be influenced by this week's list of UK economic news, although the Bank of England

Quarterly Bulletin on Thursday may provide sought after views on recent events and economic policy.

There is a difference of opinion on input prices in today's October UK producer prices. James Capel expects a fall of 0.2 p.c., and Greenwell Montagu research forecasts a rise of 0.8 p.c.

Output prices are expected to rise 0.2 p.c. to 0.4 p.c. On Thursday October unemployment will be shown to have

fallen by around 40,000 according to the general level of forecasts, and the underlying rise in average earnings is likely to be steady at 7.4 p.c.

According to Morgan Grenfell, County NatWest, James Capel, and Phillips and Drew, UK retail prices will have climbed 0.3 p.c. in October, but Nomura and Greenwell Montagu expect 0.2 p.c. The year-on-year inflation rate is forecast at 4.3 p.c. or 4.2 p.c.

On Thursday October unemployment will be shown to have

FT LONDON INTERBANK FIXING

Rate	11.00	11.00
3 months	11.00	11.00
6 months	11.00	11.00
12 months	11.00	11.00

Source: Reuters. Last update: 11.00 AM.

BANK OF ENGLAND TREASURY BILL TENDER

Rate	11.00	11.00
3 months	11.00	11.00
6 months	11.00	11.00
12 months	11.00	11.00

Source: Reuters. Last update: 11.00 AM.

WEEKLY CHANGE IN WORLD INTEREST RATES

Rate	11.00	11.00
3 months	11.00	11.00
6 months	11.00	11.00
12 months	11.00	11.00

Source: Reuters. Last update: 11.00 AM.

NEW YORK

Rate	11.00	11.00
3 months	11.00	11.00
6 months	11.00	11.00
12 months	11.00	11.00

Source: Reuters. Last update: 11.00 AM.

LONDON MONEY RATES

Rate	11.00	11.00
3 months	11.00	11.00
6 months	11.00	11.00
12 months	11.00	11.00

Source: Reuters. Last update: 11.00 AM.

TREASURY BILLS AND BONDS

Rate	11.00	11.00
3 months	11.00	11.00
6 months	11.00	11.00
12 months	11.00	11.00

Source: Reuters. Last update: 11.00 AM.

LIFE LONG TERM FUTURES

Rate	11.00	11.00
3 months	11.00	11.00
6 months	11.00	11.00
12 months	11.00	11.00

Source: Reuters. Last update: 11.00 AM.

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Source: Reuters. Last update: 11.00 AM.

Nippon Shokubai Kagaku Kogyo Co., Ltd.

U.S. \$80,000,000
2 Per cent. Guaranteed Bonds Due 1992
with
Warrants
to subscribe for shares of common stock of
Nippon Shokubai Kagaku Kogyo Co. Ltd.

9th November 1987

Nippon Shokubai Kagaku Kogyo Co., Ltd.

Pursuant to the Instrument relating to the captioned warrants, we hereby notify that due to a free distribution of shares to be made to shareholders of record as of 30th November, 1987, the subscription price will be adjusted as follows.

subscription price before adjustment: Yen 1,200 per share

subscription price after adjustment: Yen 1,090.9 per share

effective date of adjustment: 1st December, 1987

(Japan time)

Nippon Shokubai Kagaku Kogyo Co., Ltd.

Notice to Holders of

7% Convertible Subordinated Debentures

Due 2001 of

W. R. Grace & Co.

Pursuant to Section 1.03 of the Indenture dated as of February 7, 1986 from W. R. Grace & Co. (the "Company") to Manufacturers Trust Company, Trustee, with respect to the

Convertible Subordinated Debentures, notice is hereby given that the Board of Directors of the

Company on October 1, 1987 approved a 100% stock dividend on the Common Stock, per

share \$1.00 per share, of the Company, payable on December 10, 1987 in the form of one

share of Common Stock for each outstanding share of Common Stock held of

record at the close of business on November 5, 1987, subject, however, to approval by the

shareholders of the Company at a meeting held on October 30, 1987 of the amendments of the

Indenture Certificate of Incorporation of the Company to, among other things, increase the

number of shares of Common Stock that the Company is authorized to issue.

The amendments have been approved, and the Conversion Price of the Debentures has, in

accordance with Section 1.03 of the Indenture, been reduced to one-half the prior amount

effective at the opening of business on November 6, 1987, so that upon conversion after the

stock dividend record date a holder of the Debentures will be entitled to receive the same

number of shares of Common Stock of the Company as would have been received had the

conversion been made immediately prior to the record date. The Conversion Price has

accordingly been reduced from \$2.00 to \$1.00 per share of Common Stock for each

share of Common Stock.

This Notice is not a call for redemption nor a suggestion that conversion rights be

exercised, and does not constitute or imply any action by holders of the Debentures.

W. R. Grace & Co.

Dated: November 9, 1987

THE FLIGHT TO GILTS IS ON



BUT DO YOU KNOW WHICH DIRECTION TO GO?

Institutional investors are again looking at gilts as the major alternative to equities. The problem is that for some, the gilt market is unfamiliar territory.

Although gilts have a dreary image, the reality is altogether different. Gilts can be as exciting as any other investment vehicle.

While the rate on gilts is fixed, market movements can frequently create opportunities to achieve profit.

Clearly, the successful management of a gilt portfolio requires specialist expertise. Expertise that's backed by proven performance.

At Reserve Asset Managers we offer that expertise backed up by many years of experience. We specialise exclusively in fixed-interest investments.

Furthermore, we are completely independent.

Our role is purely to provide advice and investment management services on an agreed fee basis. We do not charge for transactions nor are we involved in any market-making activities. In this way, we can act solely in our clients' interests.

We do not claim to be able to identify exact high and low points. However, as our performance record shows, we have been able to forecast major trends with great confidence and consistency.

Our clients include pension funds, merchant banks, building societies, insurance companies, charities, stockbrokers, and a variety of investment management organisations.

If you would like more information about Reserve Asset Managers and how we help clients to find their way through the complexities of the gilt market, please contact George McNeill on 01-283 4985.

RESERVE ASSET MANAGERS LIMITED

Licensed Dealers in Securities

The specialists in Gilt and Fixed Interest Investment

3 GRACECHURCH STREET LONDON EC3V 0AB TELEPHONE: 01-283 4985 FAX: 01-623 3420